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Mr. Keynes' Evidence for Over-Population

By SIR WILLIAM BEVERIDGE

IN an address on "Population and Unemployment" delivered to the Economic Section of the British Association last September, I criticized certain statements made by Mr. J. M. Keynes. My address has been reprinted, according to custom, in the *Economic Journal*, for December, 1923, and is there followed by a "Reply" from Mr. Keynes, giving his evidence for the statements which I challenged. Before examining this evidence, let me try to clear the issue, by indicating what is and what is not in dispute.

The one point of direct disagreement is as to whether *Europe* was already *before the war* reaching the limits of the population that it could hope to support without lowering its standards of living. This, in relation to the main problem of population, is a point of historical detail, and it is much more important to me than to Mr. Keynes. If his view be correct—that in Europe the economic tendencies were already adverse and the population excessive before the war—there can be little hesitation in regarding the population as still more in excess after war's destruction of our resources; the burden of proof certainly lies on anyone who maintains the contrary. If my view be correct, that Mr. Keynes' reading of pre-war conditions was wrong and that there was then no sign of over-population in Europe, it is still open to him to argue that in the changed conditions the population is excessive and that a check to further increase is urgently required; the burden of proof, however, lies on him.

There are other points which are points of disagreement only in so far as Mr. Keynes has come to definite conclusions upon them, while I plead for inquiry and suspended judgment. The most important of these is the definite and immediate advocacy of "birth control" as a means of limiting population. It is not my view that mankind can wisely continue to propagate indefinitely without considering the consequences; I expressed the contrary view as emphatically as I could at Liverpool. But the consequences and re-actions of "birth control" also require consideration.

There are other points on which I am glad to think that we are in complete agreement. Among them are the interpretation of our present troubles as mainly due on the one hand to the break-down

of international trade and co-operation, and on the other hand to uncertainty as to price levels ; appreciation of the dependence of Britain on the prosperity of other countries and on world-wide trade for the maintenance of its present numbers and its influence in the world ; and recognition of the need for discussing the problem of population, both quantitative and qualitative, without prejudice and without fear.

One more preliminary issue must be cleared. In my address at Liverpool, I treated Mr. Keynes' fears of over-population as relating to Europe as a whole or to the world as a whole. That my interpretation was justified will, I think, be evident to anyone who reads the full and literal quotations of Mr. Keynes' words in my address or, better still, studies them in their context in Mr. Keynes' own book. The famous second chapter of that book is called " Europe before the War " ; in the section on population the only countries dealt with by name are Germany, Austria-Hungary and Russia. Later comes the statement : " In the chapters of this book I have not generally had in mind the situations on the problems of England. ' Europe ' in my narration must generally be interpreted to exclude the British Isles." Later still, referring back to the second chapter by name, Mr. Keynes interprets what he said there as an assertion of " the diminishing response of Nature to any further increase in the population of the world."

In his present Reply to me, however, Mr. Keynes more than once makes the point that he was talking only of the " industrial countries of Western Europe," and uses this to rebut my arguments and evidence. This is, I think, a real shift of position on his part. How far it affects the value of my statistics of agricultural production and of prices will be considered later. It does not affect at all the criticisms which I have to make on Mr. Keynes' evidence. These will be found to apply with equal force, whether it is the industrial countries of Western Europe, or all Europe, or all the world, whose over-population before the war is under discussion.

With this preface let me pass to consideration of Mr. Keynes' Reply, that is to say, his defence of the statements which I criticized at Liverpool. These statements are contained in Mr. Keynes' well-known book on the *Economic Consequences of the Peace* ; as I cited them fully at Liverpool, I do not reproduce them here. They are, as I then said, incidental to the main argument of that book or, as Mr. Keynes rightly says, they are *obiter dicta*. This does not make it any the less important to determine, if we can, whether they are true or false. Nor must Mr. Keynes quarrel with me for criticizing at length his *obiter dicta* about population. For one thing, he now repeats and defends them. For another, his book has been read by—at a moderate computation—half a million people who never read an economic work before and probably will not read one again. It has coloured general thought

on the question of population and, in my view, has coloured it wrongly.

The evidence on which Mr. Keynes relies to show the danger of over-population, whether in Europe or in Western Europe, before the war, is found in a comparison of the average prices of British exports and imports in successive years from 1873. The original authority for these figures is Professor Bowley; from the comparison of prices, he prepared and published in the *Economic Journal* for 1903 an index number of "the quantity of exports (the kind supposed unchanged) that were given for a uniform quantity of imports" in each year from 1873 to 1902. From 1900 export and import prices on a somewhat different basis have been prepared by the Board of Trade and are used by Mr. Keynes to carry on Professor Bowley's figures.¹

These figures were not unknown to me, but I confess that I had not till now considered them carefully. When my attention was called to them while I was preparing my Liverpool paper, they seemed to me to have so little bearing on the question of population that I did not investigate them further. Had I realized that they were the basis of Mr. Keynes' statements I should, of course, have discussed them.

The actual figures cited by Mr. Keynes in his reply to me are two-fold. One set, which may be described as the "general index," deals with British exports and imports generally from 1873 to 1911. The other, or "special index," deals with selected groups of articles only—manufactured exports and food imports—from 1881 onwards. Between 1881 and 1902 the only exports included are "textiles" and "metal products." Mr. Keynes takes the mean of the index numbers of prices given by Professor Bowley for these two groups to represent manufactured exports as a whole; expresses the corresponding price index for imported food, drink, and tobacco, as a percentage of this mean, and so gets an index which may be described as representing either the "volume of manufactured exports given for a uniform quantity of food imports," or the "price of food imports as a percentage of the price of manufactured exports." From 1902 onwards he uses the Board of Trade prices for "articles wholly or mainly manufactured" and for "imported food, drink, and tobacco." It is to the special index which he constructs in this way that Mr. Keynes attaches most importance; for convenience I reproduce here the figures given by him with ten-year averages, up to 1913.²

¹ Professor Bowley's memoranda are in the *Statistical Journal* for 1897 (pp. 437-9) and the *Economic Journal* for 1903 (pp. 628-32). The Board of Trade figures for 1900-11 were published in an official paper, Cd. 6314, and are continued up to 1913 in Cd. 6782 and Cd. 7432. Mr. Keynes has a note on them on p. 630 of the *Economic Journal* for 1912.

² Mr. Keynes, for some reason, carries on his table to 1916. These later figures have no bearing on the question of what was happening before the war.

VOLUME OF MANUFACTURED EXPORTS GIVEN FOR A UNIFORM
QUANTITY OF FOOD IMPORTS (1902=100).

	Yearly Figure.	Ten-Year Average. ¹		Yearly Figure.	Ten-Year Average.		Yearly Figure.	Ten-Year Average.
1881	132		1891	106	117	1901	95	105
1882	130		1892	112	115	1902	100	104
1883	128		1893	112	113	1903	100	103
1884	120		1894	107	112	1904	96	102
1885	114		1895	104	111	1905	99	101
1886	117		1896	106	110	1906	92	100
1887	116		1897	110	109	1907	92	98
1888	114		1898	111	109	1908	98	97
1889	116		1899	105	108	1909	104	97
1890	107	119	1900	93	107	1910	100	98
						1911	98	98
						1912	102	98
						1913	97	98

Commenting on the ten-year averages, Mr. Keynes argues that down to the decade ending 1907-8 they show an "uninterrupted improvement," that is, a steady decline in the quantity of exported manufactures required to be exchanged for a uniform quantity of imported food, and that with this decade, of which the middle year is 1903, the improvement came to an end. In the light of this table, his "former generalization should be modified by placing the turning-point at 1903, rather than at 1900 (the figures of the period 1899-1903 being much upset for purposes of comparison by the South African War and by the boom and subsequent depression within that period) and by emphasizing more decidedly the cessation of improvement and less decidedly the extent of the actual deterioration between that date and the outbreak of the war." This is substantially the whole of Mr. Keynes' case.

The first comment that must occur to any impartial reader is that even as given by Mr. Keynes, the figures are singularly indecisive. The index falls from 119 in the decade 1881-1890 to 97 in each of the decades 1899-1908 and 1900-1909; it then rises one point and remains steady at 98 for four years, to the decade 1904-1913. Even on these figures the turning-point, such as it is, comes in 1904 or 1905, rather than in 1903; the actual minimum for individual years was reached in 1906 and 1907. But is it sensible to speak of a "turning point" at all? An index which has fallen point by point for twenty years, remains steady during a time affected (as Mr. Keynes himself points out) by many special circumstances—the South African War, the exceptional depression of 1908-9, and the upward turn of wholesale prices. The figures themselves give no reason for assuming that, had no war come in 1914, the index would have remained stationary or have risen; it might just as well have begun to fall again. The general index was actually falling each

¹ The ten-year averages are entered opposite the last year included.

year from 1910 to 1913.¹ To infer a turning-point in the history of European civilization from a movement of this nature would be rash beyond justification, even if the figures themselves were correct, if they applied to the whole of Europe or Western Europe and not merely to part of the trade of one country, if no similar movement had occurred in them before, and if, finally, they had any bearing on the question of population at all. Actually not one of these four conditions is satisfied. The figures as given are statistically fallacious and as corrected show no turning-point at all; they apply to part of British trade only, and corresponding figures for Germany show no corresponding movement; if carried back before 1881 they show an upward movement then far more marked than Mr. Keynes finds later; finally, they are in principle irrelevant to the issue. Let me justify these criticisms one by one.

I.—*The figures are fallacious and if corrected show no turning-point at all.* Mr. Keynes, in constructing his index, uses figures from two sources—from Professor Bowley for the years 1881 to 1902, in which the only exports included are “textiles” and “metal products,” and from the Board of Trade for the years 1902 to 1913, in which all exported manufactures are included for which quantities can be given; these two sets of figures he treats as equivalent and combines into a single series. Unfortunately the figures are not equivalent. If Mr. Keynes, instead of using the Board of Trade figures after 1902, when Professor Bowley's figures came to an end, had himself carried on the latter, calculating them on Professor Bowley's lines, he would have reached quite different results. His index numbers and ten-year averages would have been as follows:

	Index for year.			Ten-Year Average.
1902	100			104
1903	97			103
1904	93			101
1905	94			100
1906	91			99
1907	90			97
1908	93			95
1909	99			95
1910	94			95
1911	90			94
1912	94			94
1913	87			93

The result is startling; the decline from 1881 to 1903 is seen continuing without interruption up to the eve of war. The actual evidence submitted by Mr. Keynes in his Reply is thus seen to be worthless; he has combined two sets of figures whose movements do not agree and he gets a turning-point near 1900 only because at that point he himself turns from one set of figures to another.

¹ This was pointed out in the Board of Trade Return published in 1914. “On the whole it would appear that during recent years the average values of British exports have been increasing more rapidly than those of imported raw materials and food.”

This does not settle the question. The marked discrepancy between the course of the Board of Trade figures and of Professor Bowley's figures, if continued after 1902, suggested to me the desirability of a closer examination of both; examination showed the necessity of revising Professor Bowley's figures. The "metal products" covered by his statistics are named by him as "iron and steel and manufactures thereof, copper (wrought), brass of all sorts"; in estimating their average price, the first of these headings, "iron and steel and manufactures thereof," has been lumped together. This is unsatisfactory, because the heading covers a great variety of articles of differing degrees of finish and differing price—from pig-iron and rails to tin-plates, wire, and wrought tubes and pipes. The average value per ton of iron and steel manufactures as a whole may change, not through a real change of prices (i.e., of the sum given for the same article at different times), but because the composition of those manufactures has changed. There has, in fact, been a marked and progressive change in the character of those manufactures since 1881; the more finished and more costly items form a growing proportion of the whole and raise its average price by changing its composition. This error can only be avoided or reduced by a detailed classification of the manufactures and by calculating the change of price separately for each subdivision, as is done by the Board of Trade after 1900. I have accordingly calculated afresh the price of "metal products" as defined by Professor Bowley, splitting up iron and steel manufactures into the seventeen sub-divisions for which separate figures are given back to 1881. The price of textiles has also been recalculated with a closer classification; the change in the figures is much smaller than with metal products, but in the same direction. No recalculation of the price of food imports was called for. All three series of prices—exported textiles, exported metal products, imported food—have been carried back to 1865. The revised figures are set out in Table I. The result of the revision on Mr. Keynes' position is made clear by the accompanying chart. (p. 8.)

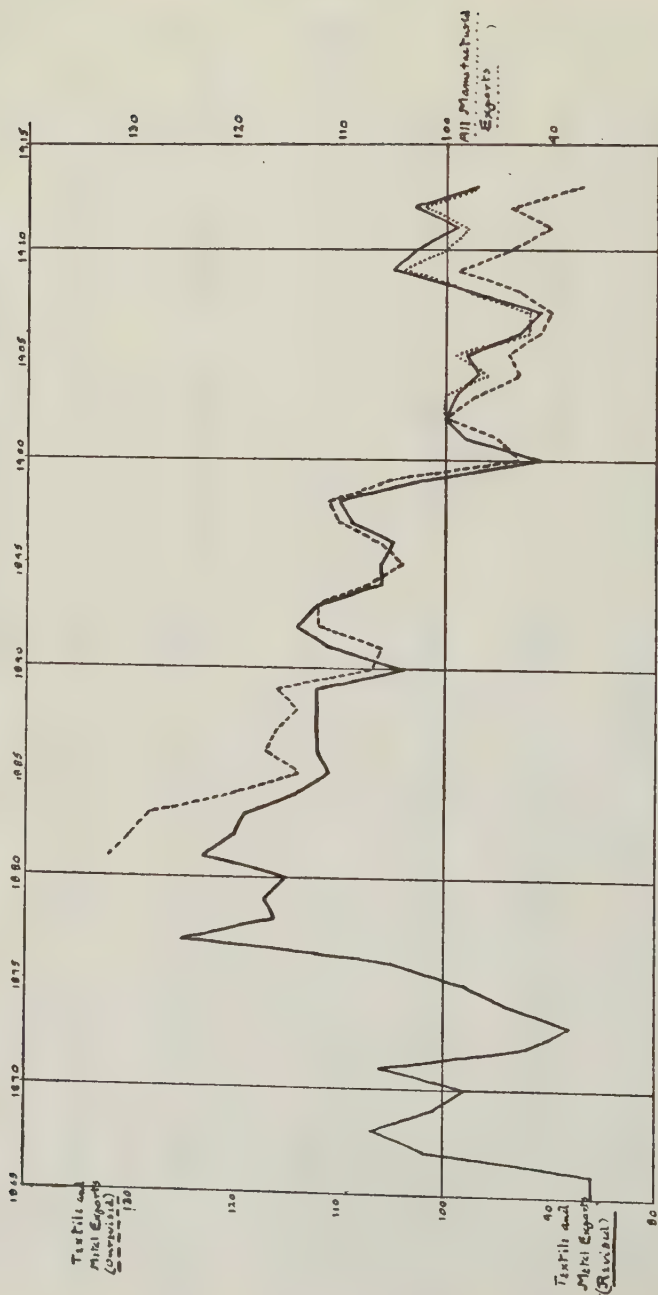
The broken line beginning in 1881 (Textile and Metal Exports Unrevised) is based on Professor Bowley's figures, as given by him up to 1902 and continued on the same principle to 1913, i.e., with iron and steel manufactures treated as a unit. The dotted line, beginning in 1902 (Manufactured Exports) is based on the Board of Trade prices of exports "wholly or mainly manufactured" and of "imported food, drink, and tobacco." The figures given in Mr. Keynes' table (p. 4 above) are represented by the broken line to 1902 and by the dotted line thereafter. The "turning-point" appears because Mr. Keynes switches from one line to another; even so it is barely visible and wholly indecisive.

The continuous line from 1865 to 1913 (Textile and Metal Exports Revised) is based on my recalculation of textile and metal prices direct from the Statistical Abstracts to 1899 and from the Board of

TABLE I.—BRITISH EXPORT AND IMPORT PRICES (1902=100).

Year.	Manufactured Exports			Food Imports.	Food Import Price as percentage of Manufactured Export Price.	
	Textile.	Metal.	Mean of 1 and 2.		Yearly.	10 year Average.
	1.	2.	3.	4.	5.	6.
1865	189	132	161	138	86	—
1866	193	135	164	142	86	—
1867	177	128	153	156	102	—
1868	166	123	145	155	107	—
1869	167	121	144	145	101	—
1870	159	124	141	138	98	—
1871	157	122	140	148	106	—
1872	165	168	166	153	92	—
1873	158	192	175	154	88	—
1874	149	176	162	153	94	96
1875	146	151	148	146	98	97
1876	135	138	137	144	105	99
1877	132	117	124	155	125	101
1878	128	114	121	140	116	102
1879	123	104	113	133	117	104
1880	125	116	121	139	115	106
1881	121	105	113	139	123	107
1882	124	108	116	139	120	110
1883	122	102	112	133	119	113
1884	118	96	107	122	114	115
1885	113	89	101	112	111	117
1886	108	85	96	108	112	117
1887	108	82	95	106	112	116
1888	108	86	97	108	112	116
1889	108	90	99	111	112	115
1890	106	101	104	108	104	114
1891	105	99	102	114	111	113
1892	100	94	97	110	114	112
1893	101	89	95	106	112	111
1894	96	85	91	96	106	111
1895	93	83	88	93	106	110
1896	97	84	91	95	105	109
1897	95	86	90	98	109	109
1898	92	87	90	99	110	109
1899	93	99	96	98	102	108
1900	103	118	110	100	91	107
1901	103	104	103	101	98	105
1902	100	100	100	100	100	104
1903	101	101	101	100	99	103
1904	110	95	102	99	97	102
1905	111	95	103	101	98	101
1906	118	100	109	101	93	100
1907	125	108	116	106	91	98
1908	120	101	111	108	98	97
1909	115	97	106	111	105	97
1910	124	94	109	112	103	98
1911	129	95	112	111	99	98
1912	127	100	113	117	103	99
1913	132	106	119	115	97	98

VOLUME OF MANUFACTURED EXPORTS GIVEN FOR A UNIFORM QUANTITY OF FOOD IMPORTS.
(UNITED-KINGDOM 1902 = 100.)



Trade Return from 1900 to 1913. It is as reasonably accurate as such a record can be made, and should be substituted for the figures used by Mr. Keynes. What does it show?

In the first place, the revised index crosses the incorrect one; it is materially below the latter at the beginning of their joint course (1881) and as much above it at the end (1913). The result of revision is to make the price of both textiles and metals higher in 1881 and lower in 1913 than it was in the unrevised figures, because the influence of the change in composition, i.e., of the growing proportion of more finished and more expensive articles, is eliminated. The volume of textile and metal exports exchanged for a uniform quantity of food imports falls less rapidly in truth than it appeared to do in the unrevised figures.

In the next place, there is nothing that can be described as a turning-point in the general trend of the curve at or about 1900. It is true that if we follow Mr. Keynes in taking ten-year averages of the revised figures as of the old we get once more a fall, though less marked, from 1881-90 to 1900-09 followed by a trifling rise. But this only illustrates the imperfection of a mechanical ten-year average. What the curve really shows is a fairly steady downward slope throughout its course from 1881 to 1913, except where it is broken by an exceptional dip between 1900 and 1907. After this dip it rises to a level representing an almost exact continuation of its former course; the peaks at 1877, 1881, 1892, 1899, and 1909 are roughly in a line. The dip records obviously the working of special and temporary causes of which the South African War was the greatest. Our new curve agrees with much other evidence in picking out the Edwardian age as a momentary exceptional phase in British economic history. But it is as far as possible from suggesting a secular change near 1900.

The correction of the figures taken from Professor Bowley's memorandum really disposes of Mr. Keynes' case. In view of the importance of the issue, however, it is worth while to proceed with the other criticisms of it. Even if the index constructed by Mr. Keynes were thought to show a change of secular trend about 1900 or should do so later, this would be no evidence of over-population.

II.—*The figures relate to a part of British trade alone and are not typical of other countries such as Germany.* I criticized Mr. Keynes at Liverpool not for anything he had said about Britain, but for what he had said about Europe, and, as I thought, the whole of Europe. In his Reply, he now treats his argument as referring only to the "industrial countries of Western Europe?" But is the particular British experience on which he bases himself—the relative movement of certain export and import prices—typical even of other industrial countries of Western Europe? I have tested Mr. Keynes' argument for the most important of these countries—Germany—by working out series of figures corresponding as closely as possible to the British ones. The results are shown in Table II, giving from 1881 to 1911

TABLE II.—GERMAN EXPORT AND IMPORT PRICES (1902=100).

Year.	Manufactured Exports.				Mean of Textiles and Metals	Imports of Food, Drink, and Tobacco.	British Food Import Price as percentage of column(4).
	Textile.	Metal.	Other.	All Manu- factures.			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1881	123	88	125	120	105	144	116
1882	113	157	124	121	135	136	115
1883	112	144	132	123	128	134	108
1884	108	138	114	114	123	119	107
1885	103	100	112	107	102	109	105
1886	106	93	112	107	100	110	101
1887	105	98	112	107	102	117	99
1888	105	105	112	108	105	114	100
1889	110	114	115	113	112	126	98
1890	109	107	116	111	108	127	98
1891	99	96	108	102	97	141	112
1892	92	87	100	95	89	125	116
1893	92	68	98	91	80	117	117
1894	85	85	94	89	85	101	108
1895	89	86	96	92	87	102	101
1896	88	93	98	93	90	99	102
1897	88	78	96	93	93	93	105
1898	89	100	92	93	95	101	107
1899	95	112	97	98	104	97	100
1900	103	113	98	102	108	102	98
1901	98	100	101	100	99	102	100
1902	100	100	100	100	100	100	100
1903	106	93	98	100	100	95	100
1904	108	85	99	100	96	99	99
1905	114	86	103	104	100	107	97
1906	104	82	107	101	93	105	100
1907	106	83	112	104	94	113	102
1908	109	76	111	102	92	112	106
1909	91	74	107	96	83	116	116
1910	93	76	110	98	85	105	114
1911	95	87	110	101	91	117	110
1912							
1913							
1914							

price index numbers for textile, metal and other manufactured exports and for all these together, and for food imports. For reasons described in the Appendix the last of these indices is not a good one ; in the last column of Table II, therefore, I have set out a series of figures representing the relative price of German exported manufactures and of British food imports, taking the latter as typical of the supplies sent by the new world to sustain the old. These figures, it will be seen, show no sort of trend, but simply a large fluctuation between the same upper and lower limits—116 or 117 for the crests

and 97 or 98 for the depressions. If we substitute the German food imports for British, or use any of the other German figures, we get curves equally or even more unlike the British one. Mr. Keynes' assumption that his British figures are typical of industrial communities generally is contrary to facts.¹

This is not surprising when we consider what his figures really represent. They relate not even to the whole of British trade but only to a part of it. For "manufactured exports," Mr. Keynes uses up to 1902 the mean of separate figures given by Prof. Bowley for "exported textile manufactures" and "exported metal manufactures." The former does cover most of our textile trades. The latter covers only what is classified in the trade returns as "manufactures of iron and steel, copper (wrought) and brass"; that is to say, it excludes machinery, railway and other vehicles, ships, cutlery and hardware, and electrical engineering. All manufactures other than textile and metal, such as dress, chemicals, wood, paper, soap and furniture are also excluded. In value, Prof. Bowley's two classes of textile and metal manufactures represented in 1881 about £135,800,000; this was 65 per cent. of all our exported manufactures and 58 per cent. of all our exports. For 1895, the corresponding figures were £114,500,000, 59 per cent. and 51 per cent.² This evidence thus covers a falling proportion of our total export of manufactures: it omits, perforce, from "metals" the most skilled and most progressive sections; it represents at bottom little more than cotton, wool, tinplates, rails, galvanized sheets and castings.

From 1900 onwards the basis of the figures is different and in some ways wider. But the widening of the basis is to a large extent illusory; neither before nor after 1900 is it possible to make certain that the ships, machinery, motor-cars and other complicated and infinitely various manufactures counted or weighed each year represent in each year comparable articles. The most characteristic and most progressive section of British industry is the least susceptible of statistical measurement.³

Some British figures, no doubt, can be taken without serious risk, as broadly typical of conditions in Europe or in the world as a whole. In my Liverpool paper, with due warning, I used the Sauerbeck and

¹ Professor Bowley gave some figures for Germany in the *Economic Journal* for 1903. These dealt with exports and imports generally, but referred only to selected years of which 1900 was the latest. They indicated a movement similar in direction to that of Britain, but much smaller in amount and with marked differences in particular years. They certainly did not support the view that the British index number could be taken as accurately representing German conditions as well.

² For 1911 they were about £204,000,000, 56 per cent. and 45 per cent.

³ From 1881 to 1911 exports of textiles and of iron and steel and their manufactures each rose in value just over 60 per cent. Exports of machinery rose more than 200 per cent., and those of chemicals only slightly less; apparel rose 150 per cent.; railway carriages and other vehicles rose from £227,000 to £8,125,000. All these are excluded from the figures used by Mr. Keynes to 1902.

Board of Trade indices of wholesale prices in this way, to bring out certain striking differences between coal, corn and other articles. But Mr. Keynes ought not to have assumed, without inquiry, that the limited figures of British trade given above are at all typical of the trade of other countries; still less that they are so exactly typical that the slight and indefinite movement observed in them must have occurred elsewhere. Mr. Keynes' index is vitally affected by the peculiar composition of British trade, by changes in that composition, by cyclical fluctuation, and, in the critical opening years of this century, by the South African War and by a host of special circumstances.

III.—*The British index had risen previously when there was no over-population.* Even if there had been a marked rise after 1900 in the volume of manufactured exports given for a uniform quantity of food, there would have been nothing exceptional in this. Let us return to the British figures in Table I, and in the chart. Mr. Keynes begins his figures just at the point (1881) from which they happen to show a steady fall. If he had gone a little further back, he would have found a yet more striking rise.¹ The ten-year averages mount steadily from 96 in 1865-74 to 117 in 1877-86, a movement which makes the subsequent rise from 97 to 99 or 98 just before the war look insignificant—as, indeed, it is. A rise in the index obviously cannot by itself be taken as evidence of over-population or diminishing returns. What is the real lesson of the interesting and striking movements that it shows?

The first lesson is that we should be cautious in drawing any lesson at all. This is suggested by the observed serious risk of error in treating any large class of exports (such as iron and steel manufactures) in the lump, and by the need for the most detailed classification possible, if error is to be avoided. Professor Marshall in a striking passage once called attention to the continual movement towards the more advanced stages of manufacturing, to the finishing and final processes, as an outstanding feature of British economic life, and as the symbol of its industrial rank. "One test of leadership is doing things which other countries with similar economic problems will be doing a little later, but are not ready and able to do yet. One of the best indications of the nature and extent of a country's leadership is to be found in the character of the goods which she exports."² Such leadership is illustrated at every point of our export trade and prices. Almost without exception, in all our main export trades, we find the more finished and more costly growing at the expense of the less costly or at least more rapidly; whenever, in the trade returns, two or more articles previously

¹ The "General Index" given by Mr. Keynes from 1873, but not referred to by him, shows the end of this rise.

² *Industry and Trade*, p. 3. Compare also another passage on p. 26: "Industrial leadership . . . is the power of doing now what others will presently be doing, or at all events trying to do."

combined are separated, the more costly or more finished of them is seen thereafter to gain on the others. Tinplates, wire, galvanized sheets gain on pig iron, bolts, bars, and rails; wrought on cast iron; steel manufactures on steel ingots; bleached yarn on grey; printed and dyed piece goods on plain ones; all-wool cloths and coatings on mixtures. This is a feature of our economic life encouraging practically, but rather depressing to the statistician. Every improvement in the classification of our trade returns, making it more nearly certain that we are comparing like with like, makes the average price in later years appear lower than it would without that improvement. But no classification can be perfect. We cannot, or, at least, do not publish separate statistics for each different quality of yarn or piece goods, or class of pipes or wire or girders; we can only in our index of prices allow for the changing character of British trade when the change shows itself in the relative growth of separate categories; a change within a category goes unmarked. Yet such changes there certainly are; it is common knowledge that on the whole the tendency of cotton spinning has been towards the finer counts. Ultimately it is not possible to say how much of the rise of export prices relative to import prices shown in the fall of our index from 1881 is apparent only, how much represents a real gain in purchasing power of manufacturing in terms of agricultural products. One can only say that the main movements of the index, both up before 1877 and down after 1881, look far too large to be explained away altogether.

With this warning, we may see crystallized in the movements of our index, a good deal of interesting economic history. The index represents a fraction, with the price of food imports in the numerator and the price of textile and metal exports in the denominator. It rises when the latter become relatively cheap and falls when they become relatively dear; in particular it falls with good harvests and as the after-effect of wars. The American Civil War, the Franco-German war, and the South African War all raised the relative price of manufactures. We are at this moment repeating this experience; the index for 1921, 1922 and the first nine months of 1923 has stood at 73, 77, 80.¹ The most marked feature of the curve, however, is the sheer rise from 1873 (the boom after the Franco-German War) to 1877 and the long downward trend thereafter. The natural interpretation is that in the early 'seventies we were shipping to the new lands beyond the seas large quantities of railway material and similar products, and thereafter reaped the harvest in a growing stream of cheaper food.² Now the curve has come back to something like the level seen before the uprush of the 'seventies.

One thing is clear—a sharp rise of the index may herald not the

¹ See Mr. Keynes' Reply (pp. 480-1 of the *Economic Journal*) for this, to him, rather disconcerting fact.

² The volume of railway material exported in the four years 1869-72 was not equalled again till 1887-90.

end, but the beginning of an era of prosperity. There must be something wrong with the logic of any argument that connects it inevitably with the former. This brings me to my final criticism.

IV.—*A rise in the index has no logical connection with over-population.* Even if the index used by Mr. Keynes were representative of the whole trade of Europe and not merely of part of the trade of Britain, and even if its movements since 1903 showed an unmistakable and unprecedented upward tendency, this would afford no evidence of over-population or of a diminishing response of Nature to man's efforts. There is a gap in the argument which two quotations from Mr. Keynes' writings will make clear.

The first quotation is from his note on the Board of Trade statistics of export and import prices, in the *Economic Journal*. "There is now again," he there wrote in 1912, "a steady tendency for a given *unit of manufactured product* to purchase year by year a diminishing quantity of raw product. The comparative advantage in trade is moving sharply against industrial countries."

The second quotation is one of those already given by me at Liverpool and repeated by Mr. Keynes in his Reply.¹ "Up to about 1900 a *unit of labour applied to industry* yielded year by year a purchasing power over an increasing quantity of food. It is possible that about the year 1900 this process began to be reversed and a diminishing yield of nature to man's effort was beginning to re-assert itself." The italics in each case are mine.

The first quotation, apart from the unjustified inference from Britain to all industrial countries and the exaggeration of the words "moving sharply," is a defensible comment on the figures then under review. The second quotation, which Mr. Keynes treats as no more than a translation of the first, is something absolutely different.

A "unit of manufactured product" and a "unit of labour applied to industry" are no more identical terms than are a pair of boots and a boot-maker; the transition from one to the other is indefensible. Mr. Keynes ignores all changes in manufacturing technique, both absolutely and relatively to agricultural technique.

The price of any product is vitally affected by the cost of production. The main object and usual effect of improvements in manufacturing technique are to lessen the costs of production, to produce a larger quantity of goods by the same amount of labour, and (almost inevitably) to lower the price in order to find a market for the larger production. A marked improvement in the technique of making any particular product of general utility almost inevitably lowers the price relatively to other things, that is to say, the purchasing power of each unit of that product. But it increases, not diminishes, the return to each unit of labour applied to making the product. The phenomenon which Mr. Keynes treats as evidence of over-population and of diminishing returns, namely, decrease in

¹ From *The Economic Consequences of the Peace*.

the price of British manufactures relatively to food, would occur, other things being equal, whenever industrial technique was advancing more rapidly than agricultural technique; it might occur, in such circumstances, whether population was growing or falling or stationary, whether returns to labour in agriculture were increasing or diminishing. The special index is simply an expression of the price of certain manufactures in relation to the price of food. The course of such an index is the resultant of several independent forces, namely, efficiency of production in industry or in agriculture and demand for industrial or agricultural products. Here are four variables at least. There is no justification for attributing a change in the resultant to one of these variables alone, and building thereon a sweeping generalization of diminishing returns in agriculture. The change observed is just as good evidence of increasing returns in industry. The question of manufacturing efficiency is dealt with by Mr. Keynes in his reply as follows: "From 1881 to 1900 there was certainly a great improvement in manufacturing technique. Thus, not only did a unit of manufacture purchase more food, but it cost less labour. . . . Between that time (1900) and the outbreak of the war the situation may have been helped by some further improvement in manufacturing technique; and the volume of our trade was still increasing; but the other factor—the purchasing power of our manufactures—had ceased to help and seems from the above data to have begun to turn adverse." He then maintains that the "best evidence available" still supports his contention as to the falling return since 1900 to each unit of labour applied to industry. From this passage I infer that Mr. Keynes has begun to suspect the gap in his argument and is making a half-hearted attempt to fill it by suggesting that improvements of technique somehow ceased or become negligible after 1900; that this variable, therefore, may be left out of account and the whole change be attributed to diminishing returns in agriculture.

I know of no grounds for believing that improvements in manufacturing technique—including invention, replacement of old by new plant, and progress in technical education—became less rapid after 1900 than before. Yet for Mr. Keynes' case, it is necessary to hold not merely that progress became less rapid but that it stopped altogether; only on that supposition can it be assumed that each unit of manufactured product represents throughout the same amount of labour applied to industry.

All through Mr. Keynes' Reply, there is no recognition of the effect of technical improvements in cheapening the product, that is to say, of the connection between cost of production and price. The point was dealt with, however, in my Liverpool paper, in a passage to which Mr. Keynes has really not paid enough attention. I there explained that one way, in substance the only way, in which the rising price of coal and metal in terms of corn could be reconciled with a falling price of industrial products based on coal and metal in

terms of corn, was through an increase of manufacturing efficiency. I pointed out that this was not only a real possibility but a probability. "It is just in the spheres of manufacturing and distribution that increased efficiency most naturally accompanies a growth in population, and that invention and organization win their last victories over diminishing returns. But the cheapening of manufacture in this way involves not a decreasing but an increasing return to each unit of labour in industry; it would cause a fall of the real cost of corn measured in labour." Actually, the combination of Mr. Keynes' figures, of the relative prices of exported manufacture and imported food, with my figures of the relative prices of coal and metal as compared with corn, suggest that there was probably a substantial improvement of manufacturing efficiency between 1900 and the outbreak of the war. If we first and foremost consider, as from the point of view of this country we are justified in considering, labour in manufacturing as distinct from labour in extractive industries, it is all but certain that a unit of labour applied to industry in this country continued after 1900 as before to secure year by year a purchasing power over a continually increasing quantity of food.

The table which I have been criticizing represents the whole of Mr. Keynes' evidence. At least, he has called no other witness. Under cross-examination the witness breaks down hopelessly. His character is bad; he doesn't say what Mr. Keynes wants him to say; and whatever he said would be beside the point. He was never within a hundred miles of the murder that he is asked to describe.

On the other hand, the reasons that I gave at Liverpool, for doubting whether there had been any murder at all, are untouched by Mr. Keynes' criticism. Of the weakness of wholesale prices, limited practically to raw materials, as proof of the ratio of exchange between industrial and agricultural products, I was well aware; in giving wholesale prices I dealt at some length with this issue; they remain as secondary evidence strongly suggestive of continued gain by industrial countries in bargaining with agricultural ones; by taking export prices Mr. Keynes does not really get substantially nearer to measurement of the return to manufacturing labour. The increased yield of corn per acre throughout Europe and its settlements up to the eve of war is also secondary evidence only: it shows that we were still able to extend cultivation to new fields and to increase the average yield. It could be argued, however, that this was only happening at the cost of putting more labour into the task of cultivation, either directly or in the form of fixed capital—machinery, railroads, and the like. But this argument is all but impossible to reconcile with the last and most important fact in my paper—of a steadily increasing yield per head of the total population, alike in Europe and in the countries settled from Europe up to the very eve of war. The reconciliation of Mr. Keynes' views with this fact involves a series of unproved assumptions so highly

improbable in themselves as not to warrant examination. The total population includes those engaged in providing the agricultural machinery or fertilizers or the goods to be exchanged for them.

Mr. Keynes, indeed, now takes the line that he was speaking only of the "industrial countries of Western Europe," and that inclusion of figures for other parts of Europe "vitiates" my argument. This new position requires examination. There is, as I pointed out at Liverpool, a theoretical difficulty, in these days of national specialization and co-operation, in considering the population question for any one country or small group of countries apart from the rest of the world. Mr. Keynes' own method of inquiry—based on the ratio of exchange between industrial and agricultural products—is particularly ill-adapted for yielding conclusions about one or a few countries in isolation from the rest; his original inference from the unfavourable movement which he thought he observed in his index was, quite naturally, one of a diminishing response of Nature to population of the world as a whole, not in certain countries alone. If we are considering particular countries, facts such as I gave for Britain, at Liverpool, are far more to the point, and, as it happens, are better reasons for anxiety about Britain than anything that Mr. Keynes has said; but as I also showed at Liverpool, the faltering of British material progress recorded in so many indices during the Edwardian age was probably in part apparent only and in part real, but due to transient causes. Mr. Keynes, however, still speaks of the industrial countries of Western Europe, not of Britain alone. My evidence proves that these countries with the other countries on which they mainly depend for food supplies, were between them producing per head of the total population both more corn and much more of the basic materials of industry in the six years 1908-13 than in 1898-1903; this is true whether we limit our view to Europe or take in the lands overseas occupied by men of European race and type of life. Unless we make the unproved and really fantastic assumption that somehow the whole of this gain was absorbed by lands other than the "industrial countries of Western Europe," we cannot speak of a falling or even a stationary response of Nature to population even in these countries by themselves. Mr. Keynes' evidence at any rate—evaporating as it does under test—does not help us to such an assumption.

The case, then, stands thus. There is no positive evidence at all to support Mr. Keynes' views, whether as to Europe as a whole or as to the western industrial communities before the war. On the other hand, there is strong, if not conclusive, evidence negating them; so far as can be seen, material progress in Europe continued to the eve of war at a hardly diminished rate. This does not settle the population problem for us now. It does no more than clear the ground for a real discussion of the problem. That 'preliminary destruction of unproved assertions is the sole object of this paper.

Mr. Keynes has done great service in bringing the problem of

population again to prominence. But in doing so, he has coloured with premature gloom the whole atmosphere in which it has to be discussed. He has seen the writing on the wall, telling that "the magnificent episode of the nineteenth century" was over, that even before the war Europe's prosperity had reached its climax, and, war or no war, was on its downward slope. He has seen and he has dazzled the eyes of a generation. And after all, it seems, he was a visionary—Cassandra, right or wrong, with no reasons for his fears. In our ante-chamber of war there was no writing visible to human eyes; on the huge highway of material progress one nation might gain or lose on others, but all swept swiftly on; there was nothing, up to the midnight eve of war nothing, to suggest any faltering of the general pace, any sudden steepening of the road.

APPENDIX

NOTE ON TABLE I

The figures in columns 1, 2, and 4 of Table I show the course of prices, by expressing the declared value of the specified exports or imports in each year as a percentage of what would have been their value at the prices of the base year; this latter figure is obtained by multiplying the quantities in each year by the prices in the base year. From 1881 to 1913, 1902 (the last year in Professor Bowley's tables) is taken as the base year; before 1881 the prices of 1881 have been used to calculate in the first instance the values for comparison with the declared values and the percentages have been reduced subsequently to the basis 1902=100.

Column 3 gives the mean of columns 1 and 2 (textile and metal prices), and column 5 is the result of dividing the price of food imports (column 4) by this mean. It shows the price of food imports in relation to the price of exported textile and metal products; alternatively, as Mr. Keynes puts it, it shows the change from year to year in the volume of such exports given for a uniform quantity of food imports. To avoid cumulation of small errors, I have taken the two export prices and their mean to one place of decimals though I do not show these decimals in the table.

Column 6 gives ten-year averages of the figures in column 5, the average for each decade being set down opposite the last year of the decade.

The first column, "Textile," covers practically all textile manufactures. From 1900 to 1913 the figures are based on those given by the Board of Trade for Cotton Manufactures, Woollen and Worsted Manufactures, and other Textile Manufactures (Import and Export Prices, Cd. Papers 6314, 6782, 7432). From 1865 to 1900 they represent a new calculation. Broadly, every item in Group H—Yarns and Textile Fabrics, of the "Articles wholly or mainly manufactured" for which quantities are given in the Statistical Abstracts is included (other than Wool—Flocks and Ragwool, Waste, Shoddy, Mungo, Noils Tops; and Silk—Thrown, Twist or Yarn), and is treated separately. This gives eighteen separate items from 1865 to 1881, twenty from 1882 to 1889 and thirty-six from 1890 onwards, as compared with fourteen in Professor Bowley's calculation.

The second column, "Metals," means Group A of the "Articles wholly or mainly manufactured" in the Statistical Abstracts ("Iron and Steel and Manufactures thereof"), with three items from Group B, namely, Brass of All Sorts; Copper, Wrought or Partly Wrought—Mixed or Yellow Metal; Copper, Wrought or Partly Wrought—of other sorts. As with textiles, the figures from 1900 to 1913 are based on the Board of Trade Return of Import and Export Prices, and from 1881 to 1900 on a new calculation; in this, "Iron and Steel and Manufactures thereof," treated by Professor Bowley as a unit, is split up into seventeen separate items, making with brass and copper

twenty items altogether. Before 1881 the same ground is covered, but the classification is less detailed—with twelve separate items only.

The fifth column represents the Board of Trade figures from 1900 to 1913, and Professor Bowley's from 1881 to 1899. The latter included thirty-four separate items (as set out in the *Statistical Journal*, 1897, p. 438). In my calculation for the years before 1881, a few items have had to be combined and a few of no importance in those years have been omitted (Mutton; Preserved Meat; Cocoa; Confectionery; Condensed Milk; Raisins; Olive Oil; Palm Oil). These omissions (representing about 2 per cent. of the whole) can make no appreciable change in the final figures; twenty-four separate items remain. The series from 1865 to 1913 in column 5 of my table gives a set of food prices which has at least one advantage over other series—of allowing for the changing importance of different articles; the Board of Trade price index exaggerates the prices in earlier years by giving to sugar the same weight in 1871, when it was dear and little used, as when it was cheap and common a generation later.

The revision of Professor Bowley's figures from 1881 to 1902 makes little difference in the textile group, but a great difference in the metal group. Thus the price of exported metal products in 1881 is given by him as 90, whereas it should be 105, and that in 1891 as 111 when it should be 99 (1902 being treated as 100 in each case). From 1900 to 1913 the two sets of figures run as in the table below. A represents the correct figures, based on the Board of Trade Return, with its detailed classification; B is my continuation of Professor Bowley's *Economic Journal* figures. The last column corresponds to the broken line (- -) in the chart.

	Textiles.		Metals.		Mean of Textiles and Metals.	Food Import Price as per- centage of Column (5).
	A. (1)	B. (2)	A. (3)	B. (4)	B. (5)	(6)
1900 ...	103	102	118	111	107	93
1901 ...	103	103	104	108	106	95
1902 ...	100	100	100	100	100	100
1903 ...	101	103	101	103	103	97
1904 ...	110	108	95	103	106	93
1905 ...	111	110	95	103	107	94
1906 ...	118	118	100	104	111	91
1907 ...	125	125	108	111	118	90
1908 ...	120	122	101	110	116	93
1909 ...	115	116	97	109	112	99
1910 ...	124	126	94	112	119	94
1911 ...	129	130	95	116	123	90
1912 ...	127	129	100	121	125	94
1913 ...	132	134	106	132	133	87

From 1902 to 1913 the mean of the textile and metal prices (based on the Board of Trade Returns), and the price of wholly or mainly manufactured exports as a whole (drawn from the same return), follow much the same course. It has not seemed worth while to carry the latter series backwards before 1900. A test calculation covering all manufactures other than textile and metal for which quantities are available in 1881, yields in that year a price of 105, (on the basis 1902 = 100). This is the same as for the metal products. The exports included are Alkali, Gunpowder, Bags, Bleaching Materials, Candles, Cement, Cordage and Twine, Glass—Flint, Glass Bottles, Glass—other, Leather—Tanned Unwrought, Leather—Boots and Shoes, Zinc, Oil and Floor Cloth, Paper—Writing, etc. (excluding hangings), Paper—Unenumerated, Skins and Furs—British Foreign Dressed, Soap. These exports in 1881

had a declared value of £12,253,000, less than one-tenth of the exported textiles and metal products.

NOTE ON TABLE II

For Germany the numbers from 1881 to 1911 shown in Table II have been constructed from data in the Abstracts of Foreign Statistics on the same principles as the British figures in Table I. The articles included are as follows, with the declared values in 1902 :

Textiles.—Cotton Yarn ; Cotton Manufactures ; Silk Manufactures ; Woollen Yarn ; Woollen Manufactures. £38,800,000.

Metals.—Iron, Pig ; Iron Bars, Malleable ; Iron Wares, Coarse ; Iron Wire (from 1884). £14,600,000.

Other Manufactures.—Machinery of all kinds including Locomotives ; Musical Instruments ; Glass and Glass Manufactures ; Paper ; Leather—Dressed, Dyed ; Leather Wares, except Gloves ; Skins—Dressed ; and from 1884, in addition, Dyes ; Wearing Apparel ; and Books, Maps, Engravings, Lithographs, etc., £47,000,000.

Food, Drink and Tobacco Imports.—Wheat, Barley, Maize, Rye, Oats (grouped as " Grain, Flour and Meal " before 1894) ; Coffee ; Herrings ; Tobacco ; Wine. £49,400,000.

German Food Imports do not represent nearly so wide a range of articles as British (excluding among other things Cheese, Eggs, Bacon, Butter, Tea, Sugar and Meat). Grain dominates them altogether ; unfortunately for grain before 1894 the figures for different crops—wheat, rye, barley, maize, oats—are not shown separately ; apparent changes of price may represent only changes in the proportions of the different crops. Too great reliance cannot be placed on these figures.

In column (7) accordingly the prices of German manufactured exports has been shown in relation to the prices of *British* food exports ; that is, it differs from column 5 in Table I, only by the substitution for column 3 of Table I, of column (4) from Table II.

The movement of the Mean of Textile and Metal Prices after 1905 is remarkable. Up to that year it has followed the general course typical of the other indices, both British and German, falling to a minimum about the middle 'nineties, rising to a marked peak in 1900 and falling again with the trade cycle. But whereas the British indices both of exported manufactures and of food imports and the German index of " other " manufactured exports then soar upwards to 1913, the German textile and metal index falls violently. This is a very suspicious circumstance ; probably it represents a change in the composition of the German Exports or of their classification. It is an added reason for trusting export and import prices sparingly.

“Total Utility” and “Consumer’s Surplus”

By PROFESSOR EDWIN CANNAN

THE history of this subject goes back thousands of years if it is taken to include the false contrast which was habitually made between the usefulness and the value of things, as, to take the ancient stock example, when it was said that “Water has high utility but little value,” the speaker in the course of the sentence unconsciously changing from the conception of “water” as all the available water in the universe to a conception of “water” as a bucketful additional to or subtracted from a plentiful supply. But for our purposes we need only begin with Jevons and his “space representations,” which he had found “convenient in illustrating the laws of Economics” in his lectures from 1855 to 1870 (*Theory of Political Economy*, 2nd ed., p. 50).

A man’s daily supply of food was his example. The different utilities of each tenth of it were represented by equal-based rectangular spaces, of which the first two were left open at the top because the man could not live at all without at least one-fifth of the food he actually got, so that their utility was “infinitely great.” The other eight get shorter and shorter down to the last, which has so little utility that some doctors (after a comfortable dinner) would say that the patient would be better without it. “The total utility of the food will be the whole sum of the rectangles, and will be infinitely great. The comparative utility of the several portions is, however, the most important point.” Jevons, very naturally, makes no attempt to measure the infinite, and prudently fights shy of attempting to measure the total utility of the daily supply of any article which, unlike food, is not altogether indispensable. The “space representations” of the utility of the different tenths of any commodity, if drawn true to life, enable the pupil to measure the utilities of these tenths *against each other*, but not against anything else.

Marshall was less prudent. Taking a hint from “space-representations” of rent which had somehow come into use in teaching, he did what Jevons had not apparently thought of doing by drawing a horizontal line from b to Oy , cutting the total utility space into two portions, the bottom portion representing the utility of the last tenth multiplied by ten and the top portion the remainder of the total utility. This being done, it is clear that the bottom space may also be taken to represent the total price paid by the consumer, since that is ten times the price of the marginal tenth. Then the bottom

space as representing the total price in money was, so to speak, superimposed upon the bottom space as representing the utility of the last tenth multiplied by ten, and it was suggested that the consumer only paid for the utility of the last tenth multiplied by ten and got a "consumer's rent or surplus" (represented by the upper space) without paying for it, in the same way as a landlord was traditionally supposed to get a surplus over the cost of production without paying for it.

It was quite illegitimate to allege that the consumer only pays for ten times the utility of the last tenth simply because he only pays ten times the price of the last tenth: ten times the price of any one tenth is the proper price of the whole, with all its utility attached, and before people were confused by misleading "space-representations" nobody ever imagined that he was getting something for nothing when he paid the full market price. Landlord's rent is something quite different from this supposed unpaid-for utility, inasmuch as it consists of part of the produce, easily and quite definitely included in any market valuation of the total, while the "consumer's rent" does not come into any such valuation. Landlord's rent is always finite, whereas consumer's rent is infinite whenever a necessary of life is concerned, since then, as Jevons explained, the utility of some of the tenths is infinite.

Undeterred by such considerations, Marshall proceeded to attempt to value the unpaid-for surplus in money. As the whole daily supply is valued in the market at the price paid, the money value of the surplus must be supposed additional to that, and therefore can only be arrived at by some hypothesis in which the facts are taken to be different from the actual facts. Marshall seems sometimes to assume that the required hypothesis is given in the question: "If the consumer were offered the choice between (1) going altogether without the commodity and (2) having his present daily supply of it by paying for it as a whole, how much would he be ready to pay?" What he would be ready to pay is supposed to give the value of the whole: to get the value of the consumer's surplus, we have only to deduct what he does in fact pay. "The excess of the price which he would be willing to pay rather than go without the thing, over that which he actually does pay, is the economic measure of this surplus satisfaction." (*Principles*, 8th ed., p. 124.)

But the conditions of the hypothesis seem to require an attention which Marshall does not give them. How much would I give for two pairs of boots per annum, rather than have none at all? An immense sum if the usages of society and the price of boots remain what they are, and it is only I who have to make the choice; but not nearly so much if everyone has to make the same choice and the price actually charged by the boot-monopolist is so high that many people embrace the second alternative, so that I shall not look mean or mad if I go barefoot. If I am to be the only person, I suppose I might pay £200 a year: if bare feet are to be quite common, I

would not pay more than £30, if the winters kept reasonably mild. Which is it to be? The second plan seems to make the conditions too different from the present, while the first makes the whole scheme ridiculous: it is ridiculous to say that I get a surplus of satisfaction or utility worth £196 per annum because I can buy boots at £2 a pair, or a surplus worth £365 per annum because I would pay £1 any day rather than appear in public without a collar-stud.

These examples will perhaps be objected to on the ground that boots and collar-studs are conventional necessities, and necessities of life, if not excluded altogether from the doctrine, as Prof. Edgeworth seems to have thought (*Econ. Journal*, 1894, p. 156), or only presenting "special difficulty" as Marshall says (*loc. cit.*, p. 133 n.), are bad examples. But apparently things for which there are substitutes also present special difficulties. If I am asked how much I would pay rather than go without tea for the next twelve months, I shall want to know (as Marshall admits, p. 131 n.) the price of coffee, and not only that but also the price of cocoa and several other possible drinks, if the nearest substitute is to be very dear: Queen Elizabeth drank beer to breakfast, and what was good enough for her will, at a pinch, be good enough for me. The consequence is that the magnitude of the total utility which I am calculated to get from my present consumption of tea varies with the prices of a number of articles in which, as a matter of fact, I take not the least interest. I certainly should have thought that it was the tea which I enjoyed, and not the high prices of substitutes for it.

I confess to finding difficulty in discovering any commodity which is not a necessary of life (physical or conventional) and yet is a thing so unique in its qualities that there is no substitute for it, in the sense that if I were deprived of it, I should not expend my expenditure particularly on something else rather than spread the money saved in marginal pennies all round. For his principal example Marshall took coal in his first edition, but subsequently changed it to tea, an eminently substitutable article except in so far as it is a conventional necessary for those who feel themselves obliged by convention to invite their friends to tea, and feel that unpleasant remarks would be made if they only provided coffee or bovril. Another example which he uses is that of a bridge over a river. Here the substitute is the next bridge, so that, according to the doctrine, the total utility of any bridge to a person who uses it depends on the proximity of the next bridge, which he never uses: if the further bridge falls down, the total utility of the nearer bridge and the consumer's surplus of satisfaction which he derives from it must suddenly rise.

However, the money-values of the total utility and consumer's surplus are not usually calculated by the direct method of asking how much the consumer would give for his present consumption, rather than be deprived altogether of the commodity, but by a method which involves not, as that does, a single hypothesis, but

an indefinite number of different hypotheses, each of which is inconsistent with all the others as well as with the actual facts. The 59s. which Marshall says "measures the total utility" of 7 lbs. of tea per annum to his tea-drinker, is not really arrived at by asking the representative tea-drinker how much he would give per annum for 7 lbs. rather than have no tea, but is taken on trust from the Jevonian "space-representation" of total utility.

It is stated that—

If the price were		20s. per lb.,	the man would buy			1 lb.
"	"	14s.	"	"	"	2 lbs.
"	"	10s.	"	"	"	3 "
"	"	6s.	"	"	"	4 "
"	"	4s.	"	"	"	5 "
"	"	3s.	"	"	"	6 "
"	"	2s.	"	"	"	7 "

If these were historical events occurring in seven years we could, of course, add up the column of shillings and add up the column of weights in order to divide the totals by seven and thus get an average price per lb. and an average annual consumption. Or we could multiply the weights by the prices and find that the man spent 20s., 28s., 30s., 24s., 20s., 18s., and 14s., in the successive years. But they are not historical events, but hypotheses giving what *would* happen if things were what they are represented. To add the shillings together and say that if the man were really put to it he would give 59s. for a seven-pound box of tea per annum rather than go without tea, is an adding together of inconsistent hypotheses which no one would ever have thought of if it had not been suggested by the "space" which happens to be included under the curve of a demand schedule.

Marshall endeavours to justify the addition of all the shillings by saying that when the price is 14s. the man can, if he chooses, buy only 1 lb., for which by hypothesis he would have been willing to give 20s. if necessary. This is true, and no doubt the man is 6s. better off with tea at 14s. than with tea at 20s., since he can have the same tea and 6s. worth of other things in addition to what he has in the other case. The advantage of the cheapness of tea is in the 6s. released for further purchases: the total utility of the single pound of tea is exactly the same in the two cases. In both cases the man enjoys that utility, but in the case in which tea is 14s. per lb. he gets 6s. worth of other things over and above what he does when the price is 20s. Marshall does not point this out, but obscures it by saying that if the man chooses to take only 1 lb. at 14s., he will "then get for 14s. what was worth to him at least 20s.; and he will obtain a surplus satisfaction worth to him at least 6s., or in other words a consumer's surplus of at least 6s." Looking at the definition of consumer's surplus in the second paragraph of Marshall's chapter, we can see that the surplus arises not because anything has

happened to the tea or its total utility, but because the price is less: "the surplus of satisfaction" is simply the difference between the whole satisfaction obtained and the satisfaction which could be obtained by spending the 14s. in buying (not coffee or the nearest substitute for tea, but) a trifle more of all other things. So the surplus arises not from anything obtained from the tea, but merely from the lower price: as this is no advantage to the man, except in that it enables him to buy other things, readers are misled by being told that the man gets a surplus, as they imagine, in or out of the tea.

The next step in the argument is to say that if the man buys 2 lbs. when the price is 14s., he pays 28s. for what is worth to him 34s., since he gets both pounds for 14s. each, and the first of the two is worth to him 20s., and the second at least 14s., or he would not buy it. No one wishes to deny that if a man exercising good judgment does this, he is no worse off than if he continued to consume only one pound and spent the spare 6s. on other things. The superiority of his position over that when tea is 20s. is that now he has 8s. less of other things, probably coffee, cocoa and beer, but a whole pound (worth 14s.) of tea in addition—net advantage at least three-sevenths of a pound of tea. But does that entitle us to say that he is getting the doubled quantity of tea for six shillings less than it is worth to him, or that he would have given 34s. for the two pounds together if he could not have bought them for less? Marshall arrives at the figure by adding the 20s. of Hypothesis I to the 14s. of Hypothesis II, but is this legitimate? There was once a man who liked the suet pudding, which his wife always gave him on Sundays and no other day. She tried to improve on that by giving it him every day of the week. By Wednesday he did not seem to care for it: by Saturday he absolutely loathed it. "Never mind, dear," said the wife, "we'll have it again to-morrow: you know you always liked it on Sunday." There is no distinguishing the first and the last pudding or pound of tea. When tea is 2s. and given to the gardener for 11 o'clock lunch, no pound of it is as great and good as when it was 20s. and reserved for a visit of the rich maiden aunt. Marshall, in spite of the "20s. plus 14s.," seems to admit this, but to believe that the 34s. total is proved by the purchase of 2 lbs. at 14s. each, because, he suggests, as 1 lb. is by hypothesis, if alone, worth 20s. to the man, he would prefer to buy only 1 lb. and use the spare 6s. to buy other things (thus getting what would be "worth to him" 26s. for his 20s.) rather than buy for 28s. 2 lbs. of tea which was worth to him less than 34s. But this argument assumes that judicious persons are guided in their purchases by calculations of consumer's surplus, whereas, in fact, they are not deterred from buying more of an article by the consequent loss of utility on (or urgency of desire for) the smaller quantity which would otherwise be in use. We do not abstain from winking in order that we may enjoy the enormous utility of (or satisfaction of urgent desire for) a smaller

number of winks. We just wink when we want to, till we are perfectly unconscious of deriving any satisfaction at all from the action. We go on eating bread till we think of it as something with no particular taste, though we should regard it as a most pleasing article of diet if we took much less of it, as anyone will recognize if he gives up bread for a month. Are we fools? Certainly not; the whole object of economic endeavour is to get so much of everything that we do not want more of it.

Perhaps things may be made clearer, if we skip the next two hypotheses and look at Hypothesis V, where the amount spent on tea is the same as in Hypothesis I, namely 20s., so that the superiority of the position under Hypothesis V is quite clearly seen to lie in the sole fact that the man gets 5 lbs. instead of 1 lb. of tea. The extra 4 lbs. are worth 16s. in the market, and the man might, if he liked, have bought only 1 lb., so that he has had a spare 16s. and has chosen to use it in buying additional tea. Marshall says that if Hypotheses I to IV are correct, the 5 lbs. are worth to him 54s., viz., 20s. + 14s. + 10s. + 6s. + 4s., the sum of the prices in the hypotheses. I cannot see any reason for supposing that this is either the real worth of the tea to the man or the amount of money which he would have given for 5 lbs. if obliged to take it or leave it in one lump.

The Origin of the Monroe Doctrine, 1775-1823¹

By PROFESSOR S. E. MORISON

ON December 2nd, 1923, the United States celebrates the centenary of the Monroe Doctrine, of that message of President Monroe which laid down certain lines of policy and rules of conduct for the United States in its foreign relations. The origin of that doctrine must be sought in the previous half-century of American foreign relations. Monroe's message was the declaration of a policy that had slowly ripened with American nationalism. As such it so well suited the position, the interest and the sentiment of the United States, as to become a doctrine, deriving its sanction no less from faith than from experience; and like religious doctrines, used to justify later developments that the founder would hardly have recognized.

These later developments may well be confused, in the popular mind, with the Monroe Doctrine; but they are no more identical with it than the American commonwealth described by Bryce is identical with the American commonwealth over which Washington presided. The Monroe Doctrine, in the only proper meaning of the term, is contained in a single message of President Monroe. My object to-day is to point out what principles of this message were old, and what new; and to describe the international episode, involving every country of America and Europe, that produced so momentous a declaration.

The essential principles of the Monroe Doctrine may be summarized in President Monroe's own words:

1. The positive principles: (a) "The American continents, by the free and independent condition which they have assumed and maintain, are henceforth not to be considered as subjects for future colonization by any European powers." (b) "The political system of the allied powers is essentially different . . . from that of America. . . . We should consider any attempt on their part to extend their system to any portion of this hemisphere as dangerous to our peace and safety."

2. The negative principles: (a) "With the existing colonies or dependencies of any European power we have not interfered and shall not interfere." (b) "In the wars of the European powers in matters relating to themselves we have never taken any part, nor does it comport with our policy so to do."

We need trace the pedigree of these principles only to the year 1775; if we presumed to go further we could hardly stop short of Plato. The Monroe Doctrine, like the Declaration of Independence,

¹ A lecture delivered at the School of Economics on November 30th, 1923.

was founded on the ancient and respectable principle of self-determination: that governments derive their just powers from the consent of the governed, as opposed to the new and vulgar principle of divine right or legitimacy, upheld by the Holy Alliance.

The American colonies of Spain, then, were entitled to their independence on the same principle that the Thirteen Colonies of Great Britain were entitled to theirs.

A second basic principle of the Monroe Doctrine was that of American isolation; the idea that the United States should remain outside the system of the European balance of power. As colonies, the United States had formed a certain weight in the balance of power. As dominions of Great Britain, flanked by French and Spanish colonies, they had been drawn into all the principal European wars since 1688.

Freedom from this obligation was one of the implications of American independence. Thomas Paine urged this consideration, early in 1776, as an argument for independence, rather than the dominion status which most of the colonial leaders then favoured. "Dependence on Great Britain tends directly to involve this continent in European wars and quarrels," he wrote in *Common Sense*. "As Europe is our market for trade, we ought to form no partial connection with any part of it. It is the true interest of America to steer clear of European contentions, which she never can do while, by her dependence on Britain, she is made the make-weight in the scale of British politics."

Independence could hardly be won without foreign assistance; but if that assistance were obtained through alliance, one of the ends of independence would be lost. John Adams, the first to grasp this point, urged Congress to limit the proposed arrangement with France to a treaty of commerce: "We ought not to enter into any alliance with her, which should entangle us in any future wars of Europe; we ought to lay it down, as a first principle and maxim never to be forgotten, to maintain an entire neutrality in all future European wars."¹

The exigencies of war overruled this principle. The French alliance of 1778—one of two treaties of alliance the United States has negotiated, and the only one she has ratified—did "entangle" her. Yet Franklin, in negotiating that treaty, was careful to exclude European questions from the *casus foederis*. The United States was bound to assist France in future wars only if the French West Indies were attacked; and she was never actually called upon to fulfil even that limited obligation.

The principle of isolation was affirmed in the very year that independence was won, on an issue resembling that of the League of Nations. During the war the first League of Armed Neutrality had been formed, on principles hostile to the British practices of naval warfare. The United States, seeking admission to the League

¹ *Works of John Adams* (1850), ii, 505; cf. 488. September, 1775.

as a belligerent, had been refused. Peace removed the desire with the obstacle. On May 21st, 1783, Congress resolved: "That the treaties lately entered into for restoring peace have caused such an alteration in the affairs of these States . . . that, though Congress approve the principles of the Armed Neutrality . . . yet they are unwilling at this juncture to become a party to a confederacy which may hereafter too far complicate the interests of the United States with the politics of Europe."¹

As early as 1783, then, the United States adopted the policy of isolation, and announced its intention to keep out of Europe. The supplementary principle of the Monroe Doctrine, that Europe must keep out of America, was still over the horizon. Europe, in 1783, controlled far more territory in America than did the United States. For a generation to come the United States was the only independent country in the western hemisphere. To the north, south and west lay the colonial empires of two great nations. Britain was consolidating her power in Canada; and in the north-western United States she held the principal strategic points, as productive gages of American good behaviour. The Floridas were Spanish, the mouth of the Mississippi was Spanish, the whole right bank of the Mississippi was Spanish, and all Central and South America, excepting Brazil and the Guianas, was Spanish. Of necessity, the foreign policy of the United States would be mainly directed toward preserving its territorial integrity. Disunion was a more likely outcome than hegemony.

A higher aspiration was voiced by Hamilton in 1787: "By a steady adherence to the Union we may hope, ere long, to become the arbiter of Europe in America, and to be able to incline the balance of European competitions in this part of the world, as our interest may dictate." A bold enough aspiration for 1787; but in the same *Federalist* paper (no. xi) Hamilton shows that the Monroe Doctrine was already in his brain: "Let the Thirteen States, bound together in a strict and indissoluble union, concur in erecting one great American system, superior to the control of all transatlantic force or influence, and able to dictate the terms of the connection between the old and the new world!"

If war had broken out between England and Spain in 1790, over the Nootka Sound question, the United States would have endeavoured to play the balance of power game, with the hope of obtaining commercial or territorial concessions from the one side or the other. That war cloud blew over; but it was followed in two years' time by another and greater, which broke,—the war of the French Revolution.

Here was a most embarrassing situation for Washington's administration. Since the War of Independence, Washington, Adams,

¹ This was drafted by Alexander Hamilton. *Works of Hamilton* (1851), ii, 248; Francis Wharton, *Revolutionary Diplomatic Correspondence of the U.S.* (1889), vi, 437-8, 482.

and Hamilton had been endeavouring to restore friendship with the mother country, on a solid basis of reciprocal commercial privileges. Those efforts had been thwarted, in part, by a failure to enforce the treaty of peace on both sides, infringement on one side being followed by retaliation on the other; but the chief obstacle to Anglo-American friendship had been the contemptuous indifference of the British Government, and its refusal to treat its late colonies with the consideration and respect due to an independent state. On top of a very ticklish diplomatic situation over the Canadian frontier, and with American opinion beginning to believe that England must be counted a perpetual enemy, came the war of the French Revolution. America was bound to France not only by treaty, but by ties of gratitude and sentiment. Americans were enthusiastic over France becoming a republic, and stirred by the spectacle of the revolutionary levies holding their own against the crowned coalition of Europe. The unthinking were ready for war. Washington knew that war, with the American union still weak and plastic, would upset all his plans for developing American nationality, and would make American independence itself a stake in the European struggle. Almost alone he stemmed the current, and in the famous neutrality proclamation of 1793 reaffirmed isolation as a positive policy. The following year John Jay brought back from London a treaty that required all Washington's influence to get ratified. Yet Jay's treaty did settle the outstanding disputes with Great Britain, and gave the country another breathing space in which to gather strength.

The French Republic, regarding Jay's treaty, with some justice, as a violation of the treaty of alliance, retaliated by attacks on American commerce that led to armed reprisals and a state of hostility on the high seas. President Adams prevented this imbroglio developing into war, as his predecessor had the controversies with England. The net result was that the American Congress denounced the French treaty of alliance, and henceforth its hands were free of such obligations.

In his farewell address of 1796, Washington summed up ten years of American experience in foreign affairs, and besought his country to remain isolated:

"Europe has a set of primary interests which to us have none, or a very remote relation. Hence she must be engaged in frequent controversies, the causes of which are essentially foreign to our concerns. Hence, therefore, it must be unwise in us to implicate ourselves, by artificial ties, in the ordinary vicissitudes of her politics, or the ordinary combinations and collisions of her friendships and enmities. Our detached and distant situation invites and enables us to pursue a different course . . . Why quit our own to stand on foreign ground?"

American isolation, as a foreign policy, was based on a geographic reality; but it had as yet little solid basis in sentiment. The

Atlantic is a physical, not a psychical, barrier. In Washington's time the natural tendency of American opinion was to divide fiercely on every European question which involved some principle that appealed to American sentiment. Revolutionary France found violent partisans in American democracy; and the England of Pitt seemed the last bulwark of ordered liberty to American conservatives. These "inveterate antipathies against particular nations, and passionate attachments for others," as he somewhat inaccurately analysed them, were denounced in Washington's farewell address. Yet these same antipathies underlay the two political parties until 1815. In 1823, as we shall see, it was difficult to prevent enthusiasm for Greece from complicating a purely American policy. Later, the United States risked a war for the *beaux yeux* of Kossuth. And time has only added the motive force of race, without much weakening this centripetal tendency. In 1914, both sentiment and race struggled against President Wilson's policy of neutrality. In 1919 these factors, combined with the isolation tradition, defeated Wilson's attempt at a new synthesis for American foreign policy; and in 1924 they still blur the American vision toward Europe in agony.

President Jefferson echoed Washington's policy in his inaugural message: "Peace, commerce, and honest friendship with all nations—entangling alliances with none." Jefferson even experimented with a commercial isolation, but his embargo policy of 1807-9 was a failure. On the other hand, he more than once proposed to fish in the troubled waters of European diplomacy for American profit—Hamilton's policy of an American balance. "The day that France takes possession of New Orleans," he wrote his minister at the Tuileries in 1802, "we must marry ourselves to the British fleet and nation."¹ Napoleon prevented that wedding by the cession of Louisiana; but in 1805 Jefferson recommenced his suit, with the Floridas in view as dowry. For a British guarantee of the Floridas he would make common cause against France and Spain.² If Pitt had lived, or if Fox at this time had appreciated the value of American friendship, the year 1806 might well have seen Britain and America "fighting once more, side by side, in the same cause," as Jefferson wrote in the crisis seventeen years later. But the occasion passed. Jefferson, rebuffed at London, gravitated toward France; and Madison, inheriting his policy without his finesse, became involved in war with Great Britain.

That war of 1812 cleared the air in the English-speaking world. America was now strong enough to waive points of ceremony; and England was now wise enough to treat her offspring as an equal. The many questions left unsettled by the Treaty of Ghent were negotiated in that spirit of mutual respect and accommodation

¹ Henry Adams, *United States*, i, 411.

² Jefferson to Madison, August 27th, 1805; Jefferson, *Writings* (1856), iv, 586.

which so long have maintained peace between the English-speaking nations. A condominium was established in the Oregon country, and the Great Lakes were cleared of armed force. It remained to be seen whether this new spirit might not develop into an entente. Hispanic-America brought the opportunity.

* * * * *

In all the vast provinces of Spanish America there was but a handful of patriots, in 1783, who desired independence of Spain. A few, such as Bolívar, Miranda, and Viscardo y Guzmán, were exiled; the rest fed their hopes on what the English colonists had accomplished.

In 1808, on hearing news of the deposition of Ferdinand VII and the accession of a Bonaparte to the throne of Spain, the governing classes in the American provinces began to form provisional juntas, more as a protest against the usurpation than with any view toward independence. They professed to govern Spanish America in the name of Ferdinand VII, until his happy restoration: as Virginia, in 1649. By 1812 all the mainland provinces were *de facto* independent of Spain; although but one, Venezuela, formally declared her independence. The commerce of Hispanic-America was thrown open to the world by these provisional juntas, with a twofold result. South Americans obtained for the first time free access to modern ideas,¹ and a stake in free trade. Britain and the United States acquired new markets, which gave them a stake in the existing status. President Madison sent consuls to Buenos Aires and Caracas in the years 1810-12, with instructions to co-operate with the revolutionary juntas. He took a "deep interest in their destinies," so he informed Congress in 1811, and was not "unprepared for whatever order of things may be ultimately established." On the eve of the war of 1812, Congress characteristically appropriated \$50,000 for the relief of sufferers from an earthquake in Venezuela.²

The restoration of Ferdinand VII in 1814 took the South American patriots by surprise. Although willing to return to the Spanish empire if guaranteed a certain autonomy and free trade, they were unprepared to resist the king's demand for unconditional submission. Lacking sea power, or effective armies, all the *de facto* states but La Plata were reconquered before the end of 1815, and the Spanish colonial system was restored in all its pristine rigour.

Alone of the South American patriots, José de San Martín kept the revolutionary flame alive. In January, 1817, he began his epic march across the Andes. A royalist army was defeated on the western slope, Chile liberated, and organized by Bernardo O'Higgins. While the new Chilean fleet, under Cochrane and Wooster, cleared the Pacific of Spanish cruisers, San Martín carried the war into Peru.

¹ The first newspaper in Chile, for instance, was printed by North American adventurers on a press brought from New York in 1811. C. L. Chandler, *Inter-American Acquaintances*, p. 74.

² *Ibid.*, 59-61, 70, 162.

Simon de Bolívar, in the meantime, had been rolling up the Spanish armies from Venezuela westward, consolidating the liberated territory in the Great Colombian Republic. When Bolívar and San Martín met at Guayaquil, in 1822, there was only one Spanish army left in the field, and that surrendered two years later. Mexico, in the meantime, had become independent by a conservative revolt against that very Spanish constitution which provoked the intervention of the Holy Alliance. Portugal split off from Brazil, where the House of Braganza had taken refuge from General Junot. By the middle of 1822, then, from the Canadian border to Cape Horn, the Americas were independent. European sovereignty was maintained only in the Guianas, in Belize, and in the Antilles.

Toward this new series of revolutions the Monroe administration maintained an attitude of neutrality, which American public opinion neither approved nor understood. Monroe's Secretary of State, John Quincy Adams, in his coldly accurate way, took the measure of the Hispanic-American patriots; but he had to admit that their principles were based on "the emphatically American foundation of the sovereignty of the people," and "identical with those upon which our own independence was asserted and achieved." Recognition of the seceding portion of a state, before the mother country did so, was then (and still is) a proper *casus belli*; and the United States had some ticklish negotiations on foot with Spain. Monroe and Adams, fearing the popular demand for recognizing the independence of sister republics would prove irresistible, sought European support. In 1817, intimations were received from the government of Louis XVIII that it would not take offence at recognition of Buenos Aires by the United States, and early in 1818 both Monroe and Adams declared to the British minister at Washington that they wished to "act in unison" with England "on the whole of the great question of South America."¹

The American minister at the Court of St. James, Mr. Rush, was instructed to watch and encourage any disposition toward "a more perfect concert of measures between the United States and Great Britain toward . . . independence of the Spanish South American provinces."² Adams was annoyed, however, at the extreme reserve on the subject maintained by Lord Castlereagh—reserve being one of the defects of that statesman's virtues. In June, 1818, Adams warned the British minister at Washington that the United States must soon take some positive step. On December 7th he expressed the hope that the plan of collective mediation by the Holy Alliance had been abandoned, and that the time was ripe for action in concert with Great Britain, "not of formal compact, but of common good

¹ *Writings of J. Q. Adams* (W. C. Ford, ed.), vi, 280, vii, 444-6; F. L. Paxson, *Independence of South American Republics* (1903), chap. iii; *British and Foreign State Papers*, v, 801-25; *Correspondence of Castlereagh* (1853), xi, 405; W. S. Robertson, in *Hispanic-American Historical Review*, i, 239-69.

² *Writings of J. Q. Adams*, vi, 326.

understanding." A few days later, Adams similarly approached the French minister at Washington, Hyde de Neuville, who "appeared startled, and not fully prepared to talk upon the subject, which he soon changed to his demand for a reduction of our duties on French wines."¹

On the first day of 1819 there was a lively cabinet discussion at Washington on the whole question of recognition, portending those of 1823 on Canning's overture. The President and the Secretary of War (Calhoun) were strongly averse to acting apart from Great Britain. Adams, whilst preferring to act in concert, observed that "deference to the British government should not be carried too far; that we should not have the appearance of pinning ourselves too closely upon her sleeve; that we should carefully preserve the advantage of taking the lead in advancing to the recognition of the South American governments, and, while using persuasion with England to move in concert with us, take care to let her know that we shall ultimately act independently for ourselves."² To this policy President Monroe gave a somewhat reluctant sanction. Adams, accordingly, informed the British minister that he was prepared to take up concurrent recognition either at London or at Washington,³ and at the same time instructed Rush, at London, as follows: "Convinced as we are that the Spanish authority can never be restored at Buenos Ayres, in Chile or Venezuela, we wish the British government and all the European allies to consider how important it is to them, as well as to us, that these newly formed states should be regularly recognized; not only because the right to such recognition cannot with justice be long denied to them, but that they may be held to observe on their part the ordinary rules of the laws of nations in their intercourse with the civilized world. . . . You will, in the most friendly manner, mention to Lord Castlereagh that the President has it in contemplation . . . to recognize the government of Buenos Ayres at no remote period, should no event occur which will justify a further postponement of that intention."⁴

Such an event did occur, very shortly. On February 22nd, 1819, Adams obtained the signature of the Spanish minister at Washington to a most important treaty, settling pecuniary claims and the western boundary, recognizing the American title to Oregon, and ceding the Floridas to the United States. Monroe and Adams could ill afford to risk offending Spain, while the ratification of this treaty was pending; and the Spanish government took care to retain its gage, by postponing a decision as long as possible, a procedure not uncongenial to the court of Madrid.⁵

¹ Castlereagh, *Correspondence*, xi, 405; J. Q. Adams, *Memoirs*, iv, 186, 190.

² *Ibid.*, iv, 207.

³ Castlereagh, *Correspondence*, xii, 99.

⁴ *Writings of J. Q. Adams*, vi, 524. In the first sentence, Adams alludes to the depredations of Hispanic-American privateers and pirates on United States merchant vessels, for which see *U.S. Naval Institute Proceedings*, vols. xlii, xliii.

⁵ H. B. Fuller, *The Purchase of Florida* (Cleveland, O., 1906).

It was Monroe and Adams, then, who first proposed an Anglo-American concert with respect to South America; and Canning only proposed, in 1823, a method his predecessor at the Foreign Office had rejected. Lord Castlereagh was, to be sure, just as firmly opposed to an armed intervention in South America as were J. Q. Adams and Canning. From the Aix-la-Chapelle project of collective mediation between Spain and her colonies, Castlereagh was not averse, on the condition that the use of force or economic boycott be excluded, and that free commercial intercourse between Hispanic-America and Great Britain be allowed to continue.¹ The latter was the main interest of Great Britain in the South American question. The Hispanic-American revolution, one may say, had saved England from revolution; for the new markets in the new world had given employment to English workmen in the dark days of Peterloo, and provided a new outlet to English capital. English exports to South America had increased by leaps and bounds, until, in 1822, they surpassed those to North America. Some eighty English commercial houses had been established in South American ports, and a new race of capitalist adventurers was seeking mining concessions in Mexico, Colombia, and Peru. Chile and Colombia were preparing to float loans in the city. The continental monarchs, in the meantime, out of regard for their Bourbon ally, forbade their subjects to trade with the "insurgents"; so, apart from North American competition, England had this virgin market to herself. A dubious agreement with the Cortes, made during the Peninsular War, was the only legal basis for this English privilege; but as long as Ferdinand VII gave it a grudging respect, Castlereagh had no reason to change so favourable a state of affairs. To break openly with his allies by prematurely recognizing the independence of the revolted colonies would have been folly, even had it not been, from the viewpoint of English politics, impracticable.

While Adams's efforts toward concerted recognition were being received with cool evasion by Castlereagh, the United States was being importuned to enter the Holy Alliance. In 1818 a French diplomatist sounded a warning note of the Pan-American danger, which lost Canning so much sleep. Jean-Matthieu Serurier, Napoleon's former minister at Washington, presented the Quai d'Orsay with a *mémoire*, which appeared in November, 1818, at the Congress of Aix-la-Chapelle, as a joint note of the French and Spanish ambassadors.² The ruling party in the United States, according to this document, "ne cache pas qu'il aspire à faire de toute l'Amérique une grande confédération républicaine à la tête de laquelle se placeraient les Etats-Unis." The United States alone would not disturb the quiet and safety of legitimist Europe; but in alliance

¹ W. A. Phillips, in *Cambridge History of British Foreign Policy* (1923), ii, 14; Dexter Perkins, in *American Historical Review*, xxviii, 670 (1923).

² *American Historical Review*, xxviii, 667; Wellington, *Supplementary Despatches*, xii, 805.

with southern hotheads it might well become a centre of infection and disturbance. "Tout un monde républicain, jeune, plein d'ardeur, riche des produits de tous les climats, et d'un sol d'un incomparable fécondité, s'établissant en présence de la vieille Europe, toute monarchique, surchargée d'habitans, ébranlée par trente ans de secousses révolutionnaires, et à peine rassise sur ses antiques fondemens, présenterait . . . un danger très réel."

In order to head off the first advance toward Pan-Americanism, recognition of Hispanic-American independence, it was desirable to associate the United States with the collective mediation. While Hauterive, the veteran under-secretary at the Quai d'Orsay, told Gallatin that France would view with great regret the United States raising "the standard of America against Europe,"¹ Nesselrode instructed the new Russian minister at Washington to offer the United States a seat in the Holy Alliance. He was to argue that the war of 1812 was "conséquence inévitable du système d'isolement," and that American interests, properly conceived, called the Republic to play an active rôle in the concert of Europe.²

What merriment this invitation must have caused in government circles at Washington! Adams's reply to it, long delayed by more pressing affairs, was so clear an exposition of the permanent American policy toward Europe, that it might well have been written a century later :

" . . . The political system of the United States is also extra-European. To stand in firm and cautious independence of all entanglement in the European system has been a cardinal point of their policy under every administration of their government from the peace of 1783 to this day. If at the original adoption of their system there could have been any doubt of its justice or its wisdom, there can be none at this time. Every year's experience rivets it more deeply in the principles and opinions of the nation. Yet in proportion as the importance of the United States . . . increases in the eyes of the others, the difficulties of maintaining this system, and the temptations to depart from it, increase and multiply with it. A direct though unofficial application has been made by the present Russian minister here, that the United States should become formal parties to the Holy Alliance. . . . No direct refusal has been notified to Mr. Poletica. It is presumed that none will be necessary. . . . But it may be added that the President, approving the general principles, and thoroughly convinced of the benevolent and virtuous motives which led to the conception and presided at the formation of this system by the Emperor Alexander, believes that the United States will more effectually contribute to the great and sublime objects for which

¹ *Writings of Gallatin* (II. Adams, ed.), ii, 78. Gallatin was the American minister to France.

² November 21st, 1818. *American Historical Review*, xviii, 316.

it was concluded, by abstaining from a formal participation in it, than they could as stipulated members of it. As a general declaration of principles . . . the United States not only give their hearty assent to the articles of the Holy Alliance, but will be the most earnest and conscientious in observing them. But . . . for the repose of Europe as well as of America, the European and American political systems should be kept as separate and distinct from each other as possible."¹

On February 22nd, 1821, after two years of tergiversation, the Spanish government finally ratified the Florida treaty. Washington was again free to deal with the question of recognition. Monroe and Adams were still cautious and deliberate—much too deliberate for the South American envoys awaiting formal reception at Washington. News of the fall of Lima, and of the Peruvian and Mexican declarations of independence, strengthened their hands; and at the close of the year Manuel Torres, the envoy of Great Colombia, urged Adams "no longer to delay a measure which will naturally establish an American alliance, capable of counteracting the projects of the Holy Alliance, and of protecting our republican institutions."² An American alliance was quite outside the views of the Washington government, but the Holy Alliance, now perverted into a league of intervention, was beginning to loom sombrely on the American horizon. Monroe wished to avoid an embroilment with the Allies. But, if the United States continued to withhold a recognition which South America now had a right to expect, there was danger that her just resentment might be turned to profit by European intriguers.³ The Argentine, for instance, had only missed getting a Bourbon prince by turning out its dictator, Pueyrredon. Accordingly, in a message to Congress of March 8th, 1822, President Monroe declared that La Plata, Chile, Peru, Colombia and Mexico were "in the full enjoyment of their independence," that there was "not the most remote prospect of their being deprived of it," and that the new governments had "a claim to recognition by other powers, which ought not to be resisted." Against vehement protests from the Spanish minister at Washington, Congress, on May 4th, 1822, passed a bill appropriating \$100,000 to defray the expenses of "such missions to the independent nations on the American continent as the President might deem proper." Formal recognition was then extended, and diplomatic relations established with the five republics.

¹ Adams to Henry Middleton, minister at St. Petersburg, July 5th, 1820, *Writings of J. Q. Adams*, vii, 49. He publicly affirmed the same principles in a Fourth of July oration of 1821, with an additional and prophetic argument: "The inevitable tendency of a direct interference in foreign wars, even wars of freedom, to change the very foundations of our own government from liberty to power." *Ibid.*, 201.

² F. J. Urrutia, *Los E.-U. de América y las Repúblicas Hispano-Americanas de 1810 á 1830* (Madrid, 1918), 219.

³ *Writings of Monroe* (S. M. Hamilton, ed.), v, 285.

One of them did not long remain a republic. In the same month of May, 1822, fickle Mexico played the first of many practical jokes on her Uncle Sam, by becoming a monarchy under Iturbide. Within a year, however, the "Emperor Agustín I" was exiled, and a firing squad received him on his return.

It is misleading to say that "The United States stole a march on Great Britain"¹ in this matter of recognition. If anything were stolen, it was a crawl rather than a march; but as a matter of fact there had been no competition. As we have seen, Monroe and Adams had not spared efforts to bring England with them. "So, Mr. Adams, you are going to make honest men of them?" said the British minister at Washington, when he heard the news. "Yes, sir!" said Adams. "We proposed to your government to join us some time ago, but they would not; and now we shall see whether you will be content to follow us."²

The combining of this simple policy of recognition with other historic principles of American foreign policy into the Monroe doctrine was brought about through forces radiating from the Emperor Alexander I, the Holy Alliance,³ and George Canning. Of these, the most immediate, though not the strongest influence, was the well-known policy of Canning, to call "the new world into existence to redress the balance of the old." Only the phrase was original. The French policy of intervention in the American War of Independence was essentially the same thing: invoking an American republic to break Britain's preponderance of power. Thomas Pownall, the former royal governor of Massachusetts Bay, had suggested in 1780 that England strike back at the Bourbon powers by a war of liberation in South America. Miranda urged the same policy on Pitt at the time of the Nootka Sound controversy⁴; and in 1804, on the eve of another war with Spain, the British government had definitely adopted it. Sir Home Popham's memoir of that year employs the same arguments as Canning twenty years later: French control of Spain will not matter if the Spanish Indies are freed; Spanish America will furnish England with precious metals and a new market.⁵ Miranda's descent on Venezuela, and the equally futile Beresford-Popham expedition against the River Plate, were the fruits of this policy.

At the Congress of Aix-la-Chapelle, England resumed her historic rôle of damping the adventurous enthusiasm of her late allies, without actually breaking loose; and using her diplomatic forces to maintain the peace and British markets. To the declared policy of the Holy Alliance, the suppression of all representative institutions not octroied by a legitimate sovereign, Lord Castlereagh

¹ *Cambridge History of British Foreign Policy*, ii, 65.

² *Writings of J. Q. Adams*, vii, 217.

³ I am using the term Holy Alliance in its popular sense of the concert of Europe based on the Quadruple Alliance of 1815.

⁴ *American Historical Review*, vii, 706.

⁵ *Ibid.*, vi, 508-17.

was absolutely opposed. His counsels of moderation were disregarded, and the governments of Naples and Piedmont were suppressed by Austrian armies. Spain, where a constitution had been forced upon Ferdinand VII, and the Spanish colonies, now virtually independent and republican, remained to be dealt with, in August, 1822, when George Canning bounced into the Foreign Office.

Fortunately for England, the great and silent statesman to whom, more than any single man, Europe owed a peace treaty that really brought peace, had left a political testament for Canning. Fortunately for his own fame, Canning was never silent. Inferior to Castlereagh in fundamental grasp of foreign affairs; his popularity and quick, supple intelligence, gave him a wider choice of means. He had a knack for catching at straws, and an assuring eloquence, classic in quality though cheap-jack in essence, that could argue the straw into a tree, a line-of-battle ship, or what you will.

Canning was ready to discard the system of Congresses. England had only lost influence and prestige by acquiescing in solutions of which she did not approve. Yet Canning was no more ready than Castlereagh to break with the Holy Alliance. "Let us not, in a foolish spirit of romance, suppose that we alone could regenerate Europe," he had declared in the Commons. Through Wellington, at Verona, he prevented a collective mandate being given France for intervention in Spain; but he could not prevent that intervention taking place, with the blessing of the two emperors and Prussia.

On April 6th, 1823, the famous *cordon sanitaire* along the Pyrenees became an army of invasion, which was welcomed rather than resented by the Spanish people. It was a matter of common talk and press discussion, that a Franco-Spanish expeditionary force to South America would follow this military promenade. What possibilities did that not open up! The great work of Wolfe and Chatham undone, France securely fixed once more in the new world, sharing a colonial monopoly to the exclusion of England, and drawing new strength from the valley of Mexico, the mines of Peru, and the vast plains of the Argentine. No English statesman would have allowed such an enterprise to begin: it was obviously a case for *principiis obstare*. "If the Pyrenees had fallen, England would maintain the Atlantic," wrote Canning. But how?

Canning conceived himself in danger of being impaled on either horn of a dilemma. A note asking the government of Louis XVIII to disavow the *grand dessein* of Chateaubriand remained ominously without reply. The obvious and striking way to cry "Hands off!" to France, the way Canning would probably have preferred, was to follow the lead of the United States, and recognize the independence of Hispanic-America.¹ Commercial England, and the *Times*, began

¹ The opportunist character of Canning's policy makes it possible to interpret his refusal to recognize as a hope that the new states would become monarchies if left alone.

urging such a course in 1822.¹ Politically, however, recognition was impracticable. The English governing class was not yet ready to recognize revolted colonies as republics; still less was the Tory Party on which Canning depended. Canning had not yet had time to convert his party to Liberalism in foreign politics. The country as a whole disapproved the French invasion of the Peninsula. But there were many of the older leaders, like Lord Grenville, who sneered at the "virtuous enthusiasm for the cause of Jacobinism in Spain."² In the Cabinet, Wellington, Eldon and Sidmouth would not hear of recognition; and the King was engaged in an intrigue with the Princess de Lieven to get this dangerous radical, Mr. Canning, out of the way.³ England, it was felt, lived in a glass house as to colonies and revolutions. Would not recognition of O'Higgins, the liberator of Chile, encourage O'Connell, the would-be liberator of Ireland? On the other hand, suppose the threatened intervention did not come off. The United States had recognized the new republics; would not Monroe and Adams improve their lead to obtain exclusive commercial advantages, and to establish what Canning of all things feared, a Pan-American alliance against Europe: "A division of the world into European and American, republican and monarchical; a league of worn-out governments on the one hand, and of youthful and stirring nations, with the United States at their head, on the other."⁴

Clearly, there was only one way out, short of war—an Anglo-American entente. Canning would use the power and prestige of the United States in a joint protest against intervention. Thus, at one stroke, three great objects would be accomplished: England's new markets would be preserved; England, without recognition, would be able to pose as an equal protector of Hispanic-America with the United States; and America would be brought into the balance of power on the side of Britain.

That is what Canning proposed in his memorable interview with the American minister at London on August 16th, 1823. It is quite likely that the concept flashed into his mind in the course of conversation. The interview had been arranged to discuss the Oregon question. Rush then drew Canning out, by adverting to the French invasion of Spain and the consoling thought that England would not permit France to cross the Atlantic. "Mr. Canning asked me what I thought my government would say to going hand-in-hand with England in such a policy? He did not think that concert of *action* would become necessary, fully believing that the simple fact of our two countries being known to hold the same

¹ L. A. Lawson, *Relation of British Policy to Monroe Doctrine* (Columbia Univ. Studies, ciii), 36 *et seq.*

² Duke of Buckingham and Chandos, *Memoirs of Court of George IV*, i, 460.

³ E. Halévy, *Histoire du Peuple Anglais* (1923), ii, 169; *Transactions of Royal Historical Society*, n.s., xviii, 85.

⁴ *Cambridge History of British Foreign Policy*, ii, 74; *American Historical Review*, xi, 781.

opinions would, by its moral effect, put down the intention on the part of France, if she entertained it. This belief was founded, he said, on the large share of the maritime power of the world which Great Britain and the United States shared between them, and the consequent influence which the knowledge of their common policy on questions involving such important maritime interests, present and future, could not fail to produce on the rest of the world."¹

Postponing, for the moment, the further communications between Canning and Rush, let us observe that Canning's overture to the United States was based on a complete misconception. The government of Louis XVIII never seriously entertained a project of armed intervention in Spanish America.² Chateaubriand, to be sure, had a scheme for settling Bourbon princes on American thrones; but neither he, nor the Villèle cabinet in approving his plan (July, 1823), contemplated the use of force. Encouraged by the *coup d'état* of Iturbide, they fancied that the new states would welcome princes of royal blood. Canning himself favoured a Spanish Infant for Mexico.³ Villèle, in fact, regarded Chateaubriand's scheme as the means of reconciling legitimacy with the French commercial interest in South American trade. Alexander I and Ferdinand VII were the only monarchs in the Holy Alliance who wished for armed intervention; even Metternich believed such projects hopeless, and urged Spain to come to terms with her former colonies. The Polignac memorandum of October 9th, 1823, in which France formally adhered to Canning's position, was in no sense the diplomatic victory that Canning's admirers seem to think; still less was it a "Charter of South American liberties."⁴ It merely disclaimed what had never been intended. Neither the Polignac document nor the Monroe message "averted armed intervention in the New World," because that danger was already past.

Canning's apprehensions of a Pan-American alliance were equally baseless in fact. He made the common European error of attributing European motives and methods of thought to the American government. The United States has always consulted primarily her own interests in dealing with American questions; no superior political

¹ R. Rush, *The Court of London from 1819 to 1825* (London, 1873), 362. This is a second edition to *A Residence at the Court of London, second series* (2 vols., London, 1845). The American edition is called *Memoranda of a Residence . . .* (Philadelphia, 1845). All three are continuations of an earlier *Residence* (London, 1833) and *Memoranda* (Philadelphia, 1833), covering the period 1817-18.

² Dexter Perkins, "Europe, Spanish America and the Monroe Doctrine," *American Historical Review*, xxvii, 208-18; W. S. Robertson, "The U.S. and Spain in 1822," *ibid.*, xx, 781-800; C. A. Villanueva, *La Monarquía en América: La Santa Alianza; Bolívar y el General San Martín* (Paris, Ollendorff, 1912, etc.).

³ Canning's instructions of October 10th, 1823, to the British commissioners to Mexico, in Paxson, *Independence of South American Republics* (1903), 211-13.

⁴ *Cambridge History of British Foreign Policy*, ii, 68, 72, 633.

morality is claimed.¹ But the Monroe administration was seeking no special privileges from the new republics. The notion of a Pan-American alliance was confined to the congressional vapourings of Henry Clay, who cooled off as soon as he realized that alliance means obligation. Jefferson sighed for a Borgian line of demarcation between the old world and the new; but only in order to keep Europe out of America, not to organize America for war. Nor was Canning a prophet. Pan-Americanism is actually weaker in 1924 than in 1824. The deeper contacts between the United States and the outside world run north, east, and west; not south. Apart from economic relations, there is less in common between the United States and Hispanic-America than there is between the United States and any European country north of the Pyrenees and west of the Urals.

Canning was a little nearer the truth in his suspicions of American designs upon Cuba, toward which Florida seemed to point a prophetic finger. The Cuban policy of the United States in 1823 was based on the knowledge that the Cuban patriots dared not assert their independence, dreading the fate of Hayti; and on the fear that England or France would obtain Cuba as the price of favours to Spain.² If Adams did express the hope, in a famous despatch, that the Cuban apple would stick to the Spanish tree until ripe for the United States basket, he also declared he would support Cuban independence, if and when the Cuban patriots chose to assert it.³ In March, 1823, President Monroe was talking of an Anglo-American guarantee of Cuba to Spain.⁴

Canning's misconception, however, was an essential part of the train of events that led from American independence, through the isolation policy, the Hispanic-American revolutions, and the French invasion of Spain, to the Monroe Doctrine.

Richard Rush was somewhat taken aback by Canning's conversation, the most flattering overture ever received by an American minister. In contrast to his predecessors, whose social experience at the Court of St. James had been pallid, to say the least, Mr. Rush had been made to feel a person of consequence in London society. There was no more cordial defender of Anglo-American amity than he. But the favour of the great, and the flavour of their port, had not dulled the keenness of his American palate. Although he lacked the inside information to uncover Canning's motives, his

¹ "In contrasting the principles and the motives of the European powers . . . with those of the United States, it has not been my intention to boast of our superior purity, or to lay a claim of merit to any extraordinary favour from South America in return."—Adams's instructions to U.S. minister to Colombia, *Writings*, vii, 453.

² Monroe, *Writings*, vi, 307-11.

³ *Writings of J. Q. Adams*, vii, 369-421, esp. 381. This despatch of Adams to the American minister at Madrid, dated April 28th, 1823, has frequently been printed in a garbled form, as proof of *imperialismo* Yanqui.

⁴ J. Q. Adams, *Memoirs*, vi, 138.

reading of the situation differed little from that of John Quincy Adams.¹

Canning followed up his conversation of August 16th by a note of the 20th, stating certain principles of foreign policy in which he hoped that Mr. Rush might immediately and publicly concur, as the basis of a joint Anglo-American declaration to the Holy Alliance. "We conceive the recovery of the Spanish colonies to be hopeless," but will not oppose an amicable arrangement between them and Spain, and consider the question of their recognition to be one of time and circumstances. "We aim not at the possession of any portion of them ourselves," but could not permit their transfer to any other power. Mr. Rush very properly received these propositions *ad referendum*, as they were not covered by his instructions.

On August 23rd Canning wrote urgently, informing Rush of the proposed European congress on the Spanish colonial question. Rush replied more definitely, that he was certain his government would deny "such an exercise of European jurisdiction over communities now of right exempt from it." He coupled this statement with an important offer. Recollecting his earlier instructions of 1818 to press for a concurrent recognition of Hispanic-American independence, he promised that, if Great Britain would recognize the new states forthwith, he would openly declare that the United States "will not remain inactive under an attack upon the independence of the American States by the Holy Alliance."

This offer was ignored by Canning. Recognition of revolted colonies was still a political impossibility, as we have seen. It could not have got through the Cabinet. Torydom's refusal to face distasteful facts was the one reason why this opportunity for Anglo-American collaboration was lost. Had Canning been able or willing—and his willingness even is doubtful—to give this required gage of good faith, Anglo-American co-operation would have been an established fact before Monroe and Adams had had an opportunity to pass upon it. The Monroe Doctrine would not then have been declared.

Rush's despatches embodying the above conversations and notes arrived at Washington on October 9th. The President was on the point of departure to his plantation of Oakhill in Virginia. Without informing Adams, he indiscreetly sent copies of the despatches to his political mentors, the ex-presidents Jefferson and Madison. His

¹ The conversations between Canning and Rush, the latter's despatches to the President, and the communications and cabinet meetings at Washington that led up to Monroe's message of December 2nd, may be followed in Rush's *Residence at the Court of London* (see previous note), in the documents printed by Mr. Ford in *American Historical Review*, vii, 676, and vii, 28; in those printed in the *Writings of Monroe* (S. M. Hamilton, ed.), viii; and in J. Q. Adams's *Memoirs*, vi. The letters of Jefferson and Madison will be found in all editions of their collected works, and in the *Fortnightly Review* for September, 1898.

covering letter clearly stated "My own impression is that we ought to meet the proposal of the British government."

Jefferson, now 80 years old, was in retirement at his beloved Monticello. Horace and Tacitus, he wrote Monroe, were so much more interesting than the newspapers, that he was quite out of touch with public affairs. But this question of co-operation with Great Britain was "the most momentous which has ever been offered to my contemplation since that of independence . . . America, North and South, has a set of interests distinct from those of Europe, and peculiarly her own. She should, therefore, have a system of her own, distinct from that of Europe. . . . One nation, most of all, could disturb us in this pursuit. She now offers to lead, aid and accompany us in it. By acceding to her proposition we detach her from the bands [of despotism], bring her mighty weight into the scale of free government, and emancipate a continent at one stroke. With her, then, we should sedulously cherish a cordial friendship, and nothing would tend more to knit our affections than to be fighting once more, side by side, in the same cause. . . ."

Here was weighty support indeed for Canning. Jefferson, who had helped to lay the foundations of the isolation policy, who believed, as herein he repeated, that "our first and fundamental maxim should be never to entangle ourselves in the broils of Europe," Jefferson, who once had regarded the touch of England as the touch of death, was willing to ally with her, as in 1802 and in 1805, to promote a purely American interest. Madison would go even further, and invite England to extend the joint declaration against the French invasion of Spain, and in favour of Greek independence.

The spectacle of these three white-haired statesmen, one of whom had drafted the Declaration of Independence, another written the Federal Constitution, and the third fought under Washington, each on his own Virginia hill-top, pondering this great question of foreign policy, has a delightful quality of antique republicanism. It would certainly have amused George Canning to have known the perturbation he had caused among the patriarchs, at a time when, having obtained his desired disclaimer from France, he considered the incident closed. Fortunately, however, the elder statesmen no longer had a monopoly of political thinking. In the Department of State a New England puritan of incisive mind and stern aspect, rough in his manners and heavy in his diction, was placing the Canning proposal in its true light. John Quincy Adams had not been a conspicuous success in the man-to-man play of diplomacy; but for the power to analyse a situation and make a fresh synthesis of policy, there were few in the world his equal; and in America none but he had really thought out the implications of the American revolutions.

Jefferson's notion, so typical of him and of his spiritual descendants, that an American caress would change the leopard's spots, must have seemed mere sentimental nonsense to Adams. Of course

his information was far more abundant than that of the retired statesmen. By November 5th, when the President returned to Washington, later despatches from Rush had brought news of Canning blowing alternately hot and cold on his proposed Anglo-American declaration. On August 21st Canning had written urging Rush to consider his "communication *not* as a proposition made to you, but as the evidence of the nature of a proposition which it would have been my desire to make to you, if I had found you with authority to entertain it." On August 31st the French army took the Trocadéro fort by assault. On September 18th Canning warmed up again to Rush, and pled urgency on the ground that the fall of Cadiz would release a French fleet for intervention overseas. Rush replied, as before, that he was ready to go in, provided England would recognize the independence of Hispanic-America; Canning made it clear that this could not be done.

Rush was of two minds in advising his government. He smelt an entangling alliance. He did not wish to pledge his government to any measure which "might in any degree, now or hereafter, implicate it in the federative system of Europe" or "prove exceptionable in the eyes of France." He suspected that, for Canning, it was a question of preventing French aggrandizement, not promoting American liberty. He wished he could see in the ministry, he wrote Monroe, "a true concern for the rights and liberties of mankind. Nevertheless, whatever may be the *motive* of these approaches, if they give promise of leading to good *effects*, effects which the United States from principle and from policy would delight to hail, I grant that a dispassionate and friendly ear should be turned to them."

Adams, alone of those privy to Canning's overtures, believed the danger of armed intervention in South America to be slight. He divined that it was England's interest, as it certainly was within her power, to prevent such intervention in any case. Why, then, call in the wolf to protect the sheep? Especially as Mr. Canning proposes "a substantial and perhaps inconvenient pledge . . . against the acquisition to the United States themselves of any part of the Spanish-American possessions." Thus he spoke on November 7th, at the first cabinet meeting on the Canning proposals, and concluded: "It would be more candid, as well as more dignified, to avow our principles explicitly to Great Britain and France, than to come in as a cock-boat in the wake of the British man-of-war."

For Adams the present question was not merely one of Anglo-American partnership, or of playing a lone hand. It was the larger one of future relations between the old world and the new. He had two questions pending with Russia which, if brought to the same touchstone of American interests, might be answered with American principles. The one was the Russian ukase of September 4th/16th, 1821, extending Russian Alaska to the fifty-first parallel, two degrees south of the American-Canadian boundary, and declaring *mare clausum* the waters thence to Bering Straits.

Adams had already, in his Fourth of July oration of 1821, announced a new principle: that colonial establishments were immoral and destined to fall. With the West divided between Canada, the United States and Mexico, America might well be closed to future colonization. Adams told the Russian minister "that we should assume distinctly the principle that the American continents are no longer subjects for *"any new European colonial establishments."*¹ Here was the new principle which, added to self-determination, American isolation, and non-intervention, made the Monroe Doctrine.

While Alexander, as autocrat of all the Russias, thus encroached on American claims in the Pacific, as high priest of the Holy Alliance he undertook to denounce American principles from across the Atlantic. On October 16th, 1823, the Baron de Tuyl, Russian minister at Washington, communicated the determination of His Imperial Majesty, "*fidèle aux principes politiques qu'Elle suit de concert avec ses alliés,*" to receive no agent from Colombia, or from the other "*gouvernements de fait, qui doivent leur existence aux événements, dont le nouveau monde a été, depuis quelques années, le théâtre.*" While Adams was planning a sarcastic reply to this outburst, he received a still more unnecessary imperial missive, one of those homilies on the Holy Alliance which the Tsar loved to circulate among friendly sovereigns. Although inoffensive by intent, for Alexander I had a strange liking for the United States, it contained several expressions quite as offensive in fact to the American government as are the Petrograd manifestoes of to-day. "*La Révolution expirante,*" it informed the world, "*peut bien compter quelques jours de plus ou de moins d'agonie, mais il sera plus difficile que jamais de redevenir puissance, car les Monarques Alliés sont décidés à ne pas transiger, à ne pas traiter avec elle.*"

As American minister at St. Petersburg, twelve years before, John Quincy Adams had enjoyed an acquaintance with this *tsar idéologue*. They had often stopped on the Admiralty quay to chat, mostly of the weather to be sure, but sometimes of other things; once of the dog-star's reported change of position. Adams objected to "*making a wandering star of Sirius,*" whose movements had always been regular; and the Emperor "*believed the best way was to let the heavens take their own course, without meddling with their management.*"² Adams would now rebuke this imperial meddler, over the back of George Canning!

In Adams's opinion, the United States had been approached or challenged on four different points, all of which should be answered in the same breath: (1) the offer of Anglo-American co-operation

¹ *Memoirs*, vi, 163. The actual negotiation for delimitation of Russian-America had, in the meantime, been transferred to St. Petersburg, where, in view of the existing Anglo-American condominium over Oregon, the American minister was instructed to co-operate with his British colleague.

² Adams, *Memoirs*, ii, 330.

against continental powers; (2) the suggested intervention in Hispanic-America; (3) Russia's claim to extend her American colonial establishments; and (4) the Tsar's challenge to the principles upon which every independent state in America was now based. "I remarked," he writes of the cabinet meeting of November 7th, "that the communication lately received from the Russian minister . . . afforded, as I thought, a very suitable and convenient opportunity for us to take our stand against the Holy Alliance, and at the same time to decline the overture from Great Britain."¹ President and cabinet agreed, in principle. But Adams had a hard time to maintain this principle, in fact. The Secretary of War, John C. Calhoun, a "war-hawk" of 1812 who had, nevertheless, wished to cling to England's skirts on the South American question since 1818, was "moon-struck by the surrender of Cadiz, and says that the Holy Allies, with ten thousand men, will restore all Mexico and all South America to the Spanish yoke."² He would go in with Canning, to the end; even at the cost of perpetually renouncing Cuba and Texas. Calhoun was one of those provincial Americans who fancied that the underlying motive of European monarchs was jealousy and hatred of the United States, whose turn would come after Mexico³—the type of mind so deliciously satirized in Lowell's *Biglow Papers*. A later despatch from Rush, on Canning's final cooling off subsequent to the Polignac memorandum, satisfied Calhoun with Adams's policy.

The President was more difficult to deal with. He vacillated between the extremes of doing nothing, in fear of the Holy Alliance; and of carrying the war into Turkey, to aid the Greeks. James Monroe, writes an eminent American historian, "was one of those men of persistent mediocrity from whom useful and attractive presidents have been made."⁴ Charming in manner, kindly in disposition, and well-meaning always, his mind was too "woolly" for Adams's clean-cut principle, "to make the stand altogether for an American cause." He could see no clear line of demarcation between defending liberty in the old world and the new. Believing a new European war was imminent, similar to that of 1792-1815, he had written Jefferson, "Can we, in any form, take a bolder attitude in regard to it, in favour of liberty, than we then did?"⁵ To which Jefferson very sensibly replied that the best thing America could do for Liberty, then or thereafter, was to protect her at home. In the first draft of his epoch-making message, Monroe proposed to reprove the French invasion of Spain, to acknowledge the independence of Greece, and to ask Congress for a diplomatic mission to Athens! Against this meddling in European affairs, Adams argued for the better part of two days.

¹ *Ibid.*, vi, 178.

² *Ibid.*, vi, 186.

³ *Ibid.*, 206; *Report of the American Historical Association* for 1899, ii, 218.

⁴ E. Channing, *United States*, iv, 314.

⁵ April 14th, 1823, *Writings of Monroe*, vi, 312.

"I spoke to him again, urging him to abstain from everything in his message which the Holy Allies could make a pretext for construing into aggression upon them," he notes in his diary. "If the Holy Alliance were determined to make up an issue with us, it was our policy to meet, and not to make it. . . The ground I wish to take is that of earnest remonstrance against the interference of the European powers by force with South America, but to disclaim all interference on our part with Europe; to make an American cause, and adhere inflexibly to that."¹ The President finally consented to omit from his message the reproof to France, and all but a pious wish for the Greek cause. But he never really understood the significance, or grasped the essential principles, of the message that bears his name. In January, 1824, writing Jefferson why Canning's overture had been declined, he concludes: "A special mission . . . directed to England in the first instance, with power to attend any Congress that may be convened on the affairs of South America or Mexico, might have the happiest effect."² Madison replied, for himself and Jefferson, that this "would be a step leading into a wilderness of politics or a den of conspirators."

Monroe, clearly, was nearer than Adams, Jefferson or Madison, to Woodrow Wilson. We shall find the clue to him in his own past, not in the future. He had entered American politics as a zealous partisan of the French Revolution and the French alliance. In 1794 he had succeeded Gouverneur Morris as American minister to France. That mission had ended in frustration and disappointment, as had likewise his later missions to England and Spain. But the greatest moment of Monroe's life had been that August day of 1794, when, conducted into the bosom of the great Convention, under crossed colours of the two republics, he had exchanged sonorous speeches with Merlin de Douai, and received from him the fraternal accolade, to "complete the annihilation of an impious coalition of tyrants!" Time had given Monroe caution and discretion, without really changing the quality of his mind. It was the Monroe of 1794 who, in 1823, proved so refractory to the Adams doctrine. He belonged with the generous paladins of liberty who would risk all to win all, not with the stern defenders of American isolation who to-day invoke his name.

In the end Adams had his way. The passages on foreign relations in Monroe's annual message of December 2nd, although written by the President, and in much more concise and dignified language than Adams would himself have employed, expressed exactly the conception of the Secretary of State. First place is given to Adams's new principle, that colonization in America must

¹ *Memoirs*, vi, 205, 194-8.

² Monroe, *Writings*, vi, 345. Yet he had authorized Adams to instruct Rush, December 14th, 1823: "We would not sanction by our presence any meeting of European potentates to dispose of American Republics."

cease. After alluding to the pending negotiations with Russia over the north-west coast, the message states :

“ In the discussions to which this interest has given rise, and in the arrangements by which they may terminate, the occasion has been judged proper for asserting as a principle in which the rights and interests of the United States are involved, that the American continents, by the free and independent condition which they have assumed and maintain, are henceforth not to be considered as subjects for future colonization by any European powers.”

In another part of the message occur the famous passages relating to Europe and Spanish America :

“ In the wars of the European powers in matters relating to themselves we have never taken any part, nor does it comport with our policy so to do. It is only when our rights are invaded or seriously menaced that we resent injuries or make preparation for our defence. With the movements in this hemisphere we are, of necessity, more immediately connected, and by causes which must be obvious to all enlightened and impartial observers. The political system of the allied powers is essentially different in this respect from that of America. This difference proceeds from that which exists in their respective Governments. And to the defence of our own, which has been achieved by the loss of so much blood and treasure, and matured by the wisdom of their most enlightened citizens, and under which we have enjoyed unexampled felicity, this whole nation is devoted. We owe it, therefore, to candor, and to the amicable relations existing between the United States and those powers, to declare that we should consider any attempt on their part to extend their system to any portion of this hemisphere as dangerous to our peace and safety. With the existing colonies or dependencies of any European power we have not interfered and shall not interfere. But with the Governments who have declared their independence, and maintained it, and whose independence we have, on great consideration and on just principles, acknowledged, we could not view any interposition for the purpose of oppressing them, or controlling in any other manner their destiny, by any European power, in any other light than as the manifestation of an unfriendly disposition toward the United States. In the war between these new Governments and Spain we declared our neutrality at the time of their recognition, and to this we have adhered and shall continue to adhere, provided no change shall occur which, in the judgment of the competent authorities of this Government, shall make a corresponding change on the part of the United States indispensable to their security.

“ The late events in Spain and Portugal show that Europe is still unsettled. Of this important fact no stronger proof can be adduced than that the allied powers should have thought it proper, on any principle satisfactory to themselves, to have inter-

posed, by force, in the internal concerns of Spain. To what extent such interposition may be carried, on the same principle, is a question in which all independent powers whose Governments differ from theirs are interested, even those most remote, and surely none more so than the United States. Our policy in regard to Europe, which was adopted at an early stage of the wars which have so long agitated that quarter of the globe, nevertheless remains the same, which is, not to interfere in the internal concerns of any of its powers; to consider the Government *de facto* as the legitimate Government for us; to cultivate friendly relations with it, and to preserve those relations by a frank, firm, and manly policy, meeting, in all instances, the just claims of every power; submitting to injuries from none. But in regard to these continents, circumstances are eminently and conspicuously different. It is impossible that the allied powers should extend their political system to any portion of either continent without endangering our peace and happiness; nor can anyone believe that our Southern brethren, if left to themselves, would adopt it of their own accord. It is equally impossible, therefore, that we should behold such interposition, in any form, with indifference. If we look to the comparative strength and resources of Spain and those new Governments, and their distance from each other, it must be obvious that she can never subdue them. It is still the true policy of the United States to leave the parties to themselves, in the hope that other powers will pursue the same course."

With the reception of Monroe's message in Europe and America, with the question of its influence, as compared with the implied menace of the British navy, in breaking up the proposed congress on Hispanic-American affairs; with Canning's momentarily successful efforts to break down the Doctrine by building up a British clientèle in Hispanic-America, we are not here concerned. Still less are we concerned with the later history of the Doctrine, and the protean shapes it has at times assumed.

The principles of the Monroe Doctrine had, in part, been slowly matured during the first quarter-century of American independence. The rest came with a rush, out of the new situation created by the break-up of the Spanish colonial empire. In tracing the last steps that led to Monroe's message, we have seen how much depended on accidents and misconceptions. America first invoked the co-operation of England in recognizing Hispanic-American independence; not understanding the commitments and prejudices that prevented the British cabinet from taking so pronounced a step. Canning invoked the aid of the United States against the Holy Alliance, misconceiving both the policy of France, and exaggerating the implications of the American recognition. American statesmen argued strenuously for accepting Canning's overture, after he had withdrawn it. And the message itself was aimed at a danger that

had passed, at least for that generation : the threat of intervention and of new colonial rivalries.

No one can fail to remark the friendly attitude of American statesmen toward Great Britain, within ten years of the burning of Washington. No one of the men in any way responsible for the Monroe Doctrine believed it incompatible with Anglo-American co-operation for an American object. Even Adams, who defeated joint action in 1823, favoured concurrent action on the basis of recognition. Both he and the President were still ready, in December, 1823, to supplement America's own declaration of principles by an Anglo-American declaration against intervention, if Canning would give the required gage.¹ By that time Canning had obtained the adhesion of France to the principles he had declared to Mr. Rush on August 20th, and was no longer in need of American support.

Perhaps the most interesting feature of the history of American foreign policy, in these momentous years, 1818-23, was its tendency to shade off, on the one side, into a mere echo to the British Foreign Office ; and on the other, into a half-baked crusade for liberty. Only with great difficulty did Adams keep the outlines clear. Yet one must admit that neither slip would have led to a pitfall. Anglo-American co-operation in 1823 would have been a policy *ad hoc* ; America would soon have climbed back into isolation. On the other hand, commitments in favour of the Greeks would hardly have been paid in other coin than words. In neither case would the Monroe Doctrine, as we know it, have been declared. And if that moment had passed, a similar doctrine would hardly have been proclaimed until the close of the Civil War ; although some crude adumbrations thereof might have issued from a Polk or a Pierce. That the Monroe Doctrine was declared, December 2nd, 1823, was due largely to the expert knowledge, the deep insight, the accurate vision, and the iron will of one man. It is right and fitting that the centenary medal of 1923 should show on its obverse the President who accepted the responsibility ; and on the reverse, the stern profile of John Quincy Adams.

¹ Adams to Rush, November 29th, 1823 : " On this basis (of recognition) this Government is willing to move in concert with Great Britain for the purposes specified." Monroe, *Writings*, vi, 417.

A List of the Rent Rolls of the Bishopric of Winchester (Ecclesiastical Commission) in the Public Record Office

Compiled by a Seminar of the London School of Economics.¹

PREFATORY NOTE

THE investigation of the existing arrangement of the Rent Rolls for the manors of the Bishopric of Winchester, from which the following provisional list has resulted, requires a few words of explanation. Down to the end of the nineteenth century these now famous records were practically unused for historical purposes. They were taken over by the Ecclesiastical Commissioners among the title-deeds of episcopal estates, and under this departmental control they were even less accessible to historical students than in the custody of episcopal treasurers or registrars.

A casual reference made to the Winchester Pipe Rolls by Professor Maitland in 1891 attracted the attention of Dr. Hubert Hall, who was then in search of materials for a description of English agrarian conditions at the end of the twelfth century. An examination of the Rent Rolls at the Office of the Ecclesiastical Commissioners, by favour of the late Mr. W. P. Courtney, revealed both the extent and value of the collection and its precarious position for the time being. The visit was followed by official negotiations which resulted in the transfer of the manorial records of the bishopric to the Public Record Office in 1892, where they are now deposited as Departmental Records under the control of the Ecclesiastical Commissioners by whose courtesy historical students have free access to the collection.

In 1900 the earliest of the long series of Rent Rolls extending from 1208 to 1455 was transcribed and published with an extensive Introduction, Appendices, Glossary and Index, by a Seminar of the London School of Economics. From that date onwards, the use of these records by students of Economic History has steadily increased; notably in 1915 they supplied the materials for a statistical table of the prices of English wheat in the thirteenth century by Professor

¹ The following members of the Seminar took part in this compilation, under the direction of Dr. Hubert Hall assisted by H. G. Richardson, M.A., B.Sc. :— M. M. C. Calthrop; J. Cameron, B.A.; I. S. Hutton; B. E. Lockhart; A. K. Longfield, M.A.; E. Scroggs; E. C. Williams, M.A.

N. S. Gras, and, in 1916, for an important examination by Miss A. E. Levett of the effects of the Black Death upon the manorial organization, published in *Oxford Studies*, Vol. V. In the session of 1922 a Seminar of the London School of Economics was formed under the direction of Dr. Hall to continue the investigations which had already been made by Sir William Beveridge in connexion with the incidence of European Famines. In the course of its researches the Seminar had occasion to return, at the suggestion of Sir William Beveridge, to the study of the Winchester Rent Rolls with the intention of compiling therefrom, among other information, statistics of corn prices in seven English manors during an almost continuous period of 250 years. As the work proceeded, however, it was found that the Departmental List which accompanied the Rolls transferred to the Record Office, and which had apparently been compiled many years ago by the diocesan officials, was unsatisfactory for purposes of reference, and at times positively misleading. For example, no attempt had been made to indicate the gaps in the existing series or to fill them from the undated *Miscellanea*. The proper sequence of the Rolls was frequently interrupted, while the order of the pontifical and regnal years could not be easily synchronized with the current date. In order to avoid, as far as possible, the disastrous results of a description of economic causes or effects based on post-dated or ante-dated documents, the Seminar set to work upon the reconstruction of the Departmental List.

The result so far is that the compilers have been able to recover thirteen Rolls hitherto undescribed and to transpose as many more which were wrongly dated in the original list. They have also checked all the dates as far as possible and have supplied the basis for a concordance of the pontifical, regnal, and dominical dates. Adequate research for the purpose of determining these and other technical points would involve access to the documents in bulk which can only be permitted to archivists. Some apology may seem needed for presenting the titles of the mediæval bishops of Winchester in an unconventional form; but Pontoise for Pontissara, with its irrelevant derivatives Sawbridge or Punteys, and Gerveys for Gerneys or even Gernsey, the more intimate surname of John of Exeter, may be acceptable to those who are not indifferent to linguistic exactitude. The compilers have also indicated the administration of the manors during the periods of voidance by co-ordinating the episcopal with the Exchequer accounts. It will be noticed, however, that the Exchequer Accounts, in which the administration of the episcopal estates were recorded during voidance of the See do not appear in this List after the year 1346. The fact is that no later records are included in the official lists of original or inrolled Accounts in the Public Record Office. Further search is being made for the missing documents among the Public Records and in other collections.

Incidentally, the exploration of these Exchequer Accounts for

the purpose of completing or supplementing the series of episcopal Rent Rolls has yielded some interesting facts relating to the early custody of the latter, and even to some matters of historical or economic interest which will be mentioned in the Introduction to the work on Mediæval Famine Records with which the Seminar is now occupied, but in the meantime the publication of this amended List has been resolved upon as a matter which concerns the immediate interests of historical students.

The Table appended to this Prefatory Note is intended to show one method of research by which the reconstruction of the Departmental List has been effected. It should be noted, however, that the compilers were not concerned with moot questions as to the actual dates of episcopal consecrations, confirmations, translations, or with the procedure connected with successive preferments to the spiritualities of the See on the one hand and the enjoyment and restitution of the Temporalities by the Crown on the other. It will be obvious that much difficulty has been experienced in dating these Rolls, a task which requires a systematic comparison of the annual balances. The compilers would therefore welcome any corrections or additions that may be offered by their fellow students in connection with the preparation of the extensive analysis of the Winchester Rolls referred to above.

APPENDIX

ANALYSIS OF THE CHRONOLOGY AND DISTRIBUTION OF THE WINCHESTER RENT ROLLS AND COMPLEMENTARY EXCHEQUER ACCOUNTS.

Bishop.	Reputed Dates of (a) Consecration or Confirmation, and (b) Investiture.	Reputed Dates of Decease or Translation.	Approximate period of Voidance of Sec.	Period apparently covered by Episcopal Accounts.	Period ostensibly covered by Exchequer Accounts.
Peter des Roches ..	(a) 25 Sept. 1205 (b) 24 Mar. 1206	9 June 1238	June 1238-Sept. 1244	Mich. 1208-10 June 1238	18-25 June 1238-11 Sept. 1244
William de Raleigh..	(a) 13 Sept. 1243 (b) 10 Sept. 1244	1 Sept. 1250	Sept. 1250-Jan. 1251	[12] Sept. 1244-11 Sept. 1250	12 Sept. 1250-28 Mar. 1251
Aylmer de Valence [Leizignan]	(a) 14 Jan. 1251 (b) 28 Mar. 1251	4 Dec. 1260	Dec. 1260-Aug. 1262	29 Mar. 1251-Mich. 1259	Mich. 1259-24 Aug. 1262
John [Gerveys] of Exeter	(a) 10 Sept. 1262 (b) 18 Oct. 1262	20 Jan. 1268	Jan.-May 1268	1 Sept. 1262-Xmas 1267	25 Feb. 1268-2 May 1268
Nicholas of Ely ..	(a) 24 Feb. 1268 (b) 2 May 1268	[12 Feb. 1280]	Feb. 1280-Aug. 1282	3 May 1268-9 Feb. 1280	10 Feb. 1280-11 Aug. 1282
John of Pontoise ..	(a) 14 June 1282 (b) 11 Aug. 1282	4 Dec. 1304	Dec. 1304-Mar. 1305	24 June 1282-5 Dec. 1304	6 Dec. 1304-12 Mar. 1305
Henry [Wodlok] of Marwell	(a) 30 May 1305 (b) 12 Mar. 1305	28 June 1316	June-Sept. 1316	13 Mar. 1305-Midsr. 1316	30 June 1316-23 Sept. 1316
John of Sandal ..	(a) 31 Oct. 1316 (b) 23 Sept. 1316	[Oct.-Nov. 1319]	Nov. 1319-April 1320	Mich. 1316-1 Nov. 1319	2 Nov. 1319-17 April 1320
Rigaud de Asserio ..	(a) 17 Nov. 1320 (b) 17 April 1320	12 April 1323	April 1323-June 1324	18 April 1320-25 April 1323	26 April 1323-28 June 1324
John of Stratford ..	(a) 26 June 1323 (b) 28 June 1324	3 Nov. 1333	Feb.-Sept. 1334	Midsr. 1324-4 Feb. 1334	5 Feb. 1334-23 Sept. 1334
Adam of Orlton ..	(a) 1 Dec. 1333 (b) 23 Sept. 1334	18 July 1345	July 1345-Feb. 1346	Midsr. 1334-18 July 1345	18 July 1345-9 Dec. 1345
William of Edington	(a) 14 May 1346 (b) 15 Feb. 1346	8 Oct. 1366	Oct. 1366-Oct. 1367	9 Dec. 1345-Mich. 1366	
William of Wickham	(a) 10 Oct. 1367 (b) 12 Oct. 1367	27 Sept. 1404	Sept. 1404-Mar. 1405	13 Oct. 1367-27 Sept. 1404	
Henry Beaufort ..	(a) 14 Mar. 1405 (b) 14 Mar. 1405	11 April 1447	April-June 1447	15 Mar. 1405-11 April 1447	
William of Wainfleet	(a) 30 July 1447 (b) 4 June 1447			June 1447-Mich. 1455	

A LIST OF THE RENT ROLLS OF THE BISHOPRIC OF WINCHESTER
(ECCLESIASTICAL COMMISSION) IN THE PUBLIC RECORD OFFICE.¹

<i>Date.</i> ²	<i>Pontifical Year.</i> ³	<i>Regnal Year.</i> ⁴	<i>Official Reference.</i> ⁵
1208	4 Roches		159270 ⁶
1209	[5] ...		Missing
1210	6 ...		159270A
1211	7 ...		159271
1212	[8] ...		Missing
1213	9 ...		159272
1214	[10] ...		Missing
1215	11 ...		159273
1216	[12] ...		Missing
1217	13 ...		159274
1218	14 ...		159275
1219	15 ...		159276
1220	16 ...		159277
1221	[17] ...		Missing
1222	[18] ...		Missing
1223	19 ...		159278
1224	20 ...		159279
1225	21 ...		159280
1226	22 ...		159281
1227	[23] ...		Missing
1228	[24] ...		Missing
1229	[25] ...		Missing
1230	[26] ...		Missing
1231	27 ...		159282
1232	28 ...		159283
1233	[29] ...		Missing
1234	[30] ...		Missing
1235	31 ...		159284
1236	32 ...		159285
1237 Mich.-June	[33] ...		—
1238 June 24 to	} <i>Voidance</i>	24 June, 22 Hen. III, to	Pipe Rolls, 25 and 28 Hen. III, K.R. A/cs.,
1244 Sept. 11		11 Sept., 28 Hen. III.	Bps. Temporalities, 1142/12, 1143/1

¹ See Prefatory Note. A description of the rolls has been given in the edition of the roll for 1208 by a former Seminar of the School, as mentioned below (footnote 6), and a further description will be possible as the result of the researches of the present Seminar referred to in the Prefatory Note.

² Unless otherwise stated, the period of Account is presumed to be from Michaelmas to Michaelmas.

³ Styled in the accounts Year of Consecration, Confirmation or Translation. See tabular analysis in the Appendix.

⁴ The regnal year is rarely used in the titles of the rolls before the reign of Richard II, and not systematically till that of Henry IV. The dates of the voidances are indicated here by regnal years.

⁵ Gaps in the series of existing Rent Rolls are not indicated in the departmental List of the Ecclesiastical Commissioners, in which the rolls are numbered consecutively regardless of chronological sequence. Obvious gaps not filled in by the compilers of this List are indicated by the word "Missing." The rolls numbered 159146—159458 $\frac{1}{2}$ have been identified in miscellaneous bundles and incorporated with the regular series. Various rolls misplaced in the departmental List have also been identified and inserted in their proper places, the old references being, of course, preserved. For the supplementary accounts of the episcopal manors during voidance, see above, Prefatory Note.

⁶ This, the earliest existing roll of the series, has been transcribed and edited by a Seminar of the School (1903).

LIST OF RENT ROLLS OF BISHOPRIC OF WINCHESTER 57

<i>Date.</i>	<i>Pontifical Year.</i>	<i>Regnal Year.</i>	<i>Official Reference.</i>
1244 [12] Sept. to [1] Mich.	Ralegh		Missing
1245	2 ...		159287
1246	3 ...		159288
1247	4 ...		159289
1248	5 ...		159457
1249 Mich. to	6 ...		159290
1250 [11 Sept.]			
1250 Sept. 12 to	} <i>Voidance</i>	{ 12 Sept., 34 Hen. III, to 28 Mar., 35 Hen. III.	Pipe Roll, 35 Hen. III, K.R. A/cs. <i>s.t.</i>
1251 Mar. 28			[<i>passim</i>]
1251 Mar.-Mich. [1] Valence			Missing
1251	2 ...		159447
1252	3 ...		159291
1253	4 ...		159291A ¹
1254	5 ...		159296
1255	[6] ...		Missing
1256	7 ...		159292
1257	8 ...		159293
1258	[9] ...		[Missing]
1259 Mich. to	} <i>Voidance</i>	{ Mich. 43 Hen. III, to 24 Aug., 46 Hen. III.	Pipe Rolls, 44 and 46 Hen. III, K.R. A/cs., <i>s.t.</i> , 1141/22, 1142/25, 1143/2
1262 Aug. 24			159294
1262 Sep. 1-Mich. 1 Exeter			159295
1263	2 ...		159297
1264	3 ...		Missing
1265	[4] ...		Missing
1266	[5] ...		159298
1267-8	6 Exeter; 1 Ely ²		Pipe Roll, 52 Hen. III.
1268 Feb. 25 to May 2	} <i>Voidance</i>	{ 25 Feb. to 2 May, 52 Hen. III.	159450
1269			Missing
1270	[3] ...		159299
1271	4 ...		159300
1272	5 ...		159301
1273	6 ...		159458 ³
1274	7 ...		159302
1275	8 ...		Missing
1276	[9] ...		159303
1277	10 ...		159304
1278	11 ...		—
1279 Mich. to [12]			
1280 Feb.			
1280 Feb. 10 to	} <i>Voidance</i>	{ 10 Feb., 8 Edw. I, to 11 Aug., 10 Edw. I.	Pipe Roll, 12 Edw. I, K.R. A/cs. <i>s.t.</i> , 1142/1, 1143/15
1282 Aug. 11			

¹ This roll was discovered by the Seminar of 1903 among the muniments of the Dean and Chapter of Winchester, and restored to the series of episcopal records.

² The title of this roll is "Compotus Episcopatus Wintoniensis consecrationis domini Johannis Episcopi anno vj^{to}, et translationis domini Nicholai Episcopi anno primo." The chronology of the latter bishop's episcopate presents some difficulties.

³ This roll was discovered by the compilers. It had been attributed to Bishop Gerveys, but a comparison of *debets* and arrears indicates its present position.

<i>Dats.</i>	<i>Pontifical Year.</i>	<i>Regnal Year.</i>	<i>Official Reference.</i>
1282 June 24 to 1283 Mich.	1 Pontoise		159305
1283	2 ...		159309
1284	[3] ...		Missing
1285	4 ...		159306
1286	5 ...		159307
1287	6 ...		159308
1288	7 ...		159310
1289	8 ...		159311
1290	9 ...		159312
1291	10 ...		159313
1292	11 ...		159286
1293	12 ...		159314
1294	[13] ...		Missing
1295	[14] ...		Missing
1296	[15] ...		Missing
1297	16 ...		159315
1298	17 ...		159316
1299	18 ...		159317
1300	19 ...		159318
1301	20 ...		159319
1302	21 ...		159448
1303	22 ...		159320
1304 Mich. to 5 Dec.	[23] ...		—
1304 Dec. 6 to	} <i>Voidance</i>	{ 6 Dec. to 12 Mar., 33 Edw. I.	Pipe Roll, 35 Edw. I, K.R. A/cs., 1143/3-5, 1143/15
1305 Mar. 12			
1305 [Mar.] to Mich.	1 Marwell		159408
1305	2 ...		159321
1306	3 ...		159322
1307	4 ...		159323
1308	5 ...		159324
1309	6 ...		159325
1310	7 ...		159458½
1311	8 ...		159326
1312	9 ...		159327
1313	10 ...		159328
1314	11 ...		159329
1315-6 June [24]	12 ...		159330
1316 June 30 to Sept. 23	} <i>Voidance</i>	{ 30 June to 23 Sept., 9 Edw. II.	Pipe Roll, 9 Edw. II.
1316 Midsr. to			
1317 Mich.	1 Sandal		159331
1317	2 ...		159332
1318-9 Nov. [1]	3 ...		159333
1319 Nov. 2 to	} <i>Voidance</i>	{ 2 Nov. to 17 April, 13 Edw. II.	Pipe Roll, 13 Edw. II.
1320 April 17			
1320 Apr.-Mich.	1 de Asserio		159335
1320	2 ...		159334
1321	[3] ...		Missing
1322 Mich. to	[4] ...		Missing
1323 [Apr. 25]			
1323 Apr. 26 to	} <i>Voidance</i>	{ 26 April, 16 Edw. II, to 28 June, 17 Edw. II.	Pipe Roll, 17 Edw. II, K.R. A/cs. s.t., 1141- 1143 [<i>passim</i>]
1324 June 28			

LIST OF RENT ROLLS OF BISHOPRIC OF WINCHESTER 59

<i>Date.</i>	<i>Pontifical Year.</i>	<i>Regnal Year.</i>	<i>Official Reference.</i>
1324 June-Mich.	1 Stratford		159336
1324	2 ...		159337
1325	3 ...		159338
1326	4 ...		159339
1327	5 ...		159340
1328	6 ...		159341
1329	7 ...		159342
1330	8 ...		159343
1331	9 ...		159344
1332	10 ...		159345
1333 Mich. to [11]	...		—
1334 Feb.			
1334 Feb. 5 to Sept. 23	} <i>Voidance</i>	{ 5 Feb. to 23 Sept., 8 Edw. III.	Pipe Roll, 8 Edw. III, K.R.A/cs.s.t., 1143/16
1334 Midsr. to 1-2			
1335 Mich.	Orlton		159346
1335	3 ...		159347
1336	4 ...		159348
1337	5 ...		159451
1338	6 ...		159349
1339-40	7 ...		159350
1340-41	8 ...		159351
1341-42	9 ...		159352
1342-43	10 ...		159353
1343-44	11 ...		159354
1344 Mich. to	12 ...		159361
1345 July 18			
1345 July 18 to Dec. 9	} <i>Voidance</i>	{ 18 July to 9 Dec., 19 Edw. III.	Pipe Roll, 19 Edw. III, K.R. A/cs. 1143/17
1345 Dec. 9 to			
1346 Mich.	1 Edington		159355
1346	2 ...		159356
1347	3 ...		159357
1348	4 ...		159358
1349	5 ...		159359
1350	6 ...		159360
1351	7 ...		159362
1352	8 ...		159363
1353	9 ...		159364
1354	10 ...		159365
1355	11 ...		159366
1356	12 ...		159367
1357	13 ...		159368
1358	14 ...		159369
1359	15 ...		159370
1360	16 ...		159371
1361	17 ...		159372
1362	18 ...		159373
1363	19 ...		159374
1364	20 ...		159375
1365	21 ...		159452
1366	22 ...		159377
1366 [Oct. 8] to	} <i>Voidance</i>	{ 8 Oct., 40 Edw. III, to 12 Oct., 41 Edw. III.	
1367 [Oct. 12]			
1367	1 Wickham		159376
1368	2 ...		159378
1369	3 ...		159379

<i>Date.</i>	<i>Pontifical Year.</i>	<i>Regnal Year.</i>	<i>Official Reference.</i>
1370	4 ...		159380
1371	5 ...		159454
1372	6 ...		159382
1373	7 ...		159381
1374	8 ...		159383
1375	9 ...		159456
1376	10 ...		159384
1377	11 ...		159385
1378	12 ...		159386
1379	13 ...		159387
1380	[14] ...		Missing
1381	15 ...		159388
1382	16 ...		159389
1383	17 ...		159390
1384	18 ...		159391
1385	19 ...		159392
1386	20 ...		159393
1387	21 ...		159394
1388	22 ...		159395
1389	23 ...		159396-159397
1390	24 ...		159398
1391	[25] ...		Missing
1392	26 ...		159399
1393	27 ...		159400
1394	28 ...		159401
1395	29 ...		159402
1396	30 ...		159403
1397	[31] ...		Missing
1398	32 ...		159403A
1399	33 ...		159404
1400	34 ...		159405
1401	35 ...		159406
1402	36 ...		159407
1403	[37] ...		—
1404 Sept. 27 to 1405 Mar. 14	} <i>Voidance</i> {		27 Sept., 5 Hen. IV, to 14 Mar., 6 Hen. IV.
1405	1 Beaufort		Missing
1406	2 ...		159409
1407	3 ...		159410
1408	[4] ...		Missing
1409	5 ...		159411
1410	6 ...		159412
1411	7 ...	12 Henry IV ¹	159413
1412	8 ...	13 "	159414
1413	9 ...	1 Henry V	159415
1414	10 ...	[2 "]	159416
1415	11 ...	[3 "]	159417
1416	12 ...	[4 "]	159418
1417	13 ...	5 "	159419
1418	[14] ...	[6 "]	Missing
1419	15 ...	7 "	159420
1420	16 ...	[8 "]	159421
1421	17 ...	9 "	159422
1422 Mar.-Mich. 18	...	10 Henry V to 1 Hen. VI	159423
1423	19 ...	2 Henry VI	159424
1424	20 ...	3 "	159425
1425	21 ...	4 "	159426

¹ See above, p. 56, n. 4.

LIST OF RENT ROLLS OF BISHOPRIC OF WINCHESTER 61

<i>Date.</i>	<i>Pontifical Year.</i>	<i>Regnal Year.</i>	<i>Official Reference.</i>
1426	22 ...	5 Henry	159427
1427	[23] ...	6 "	Missing
1428	24 ...	[7 "]	159428
1429	[25] ...	[8 "]	Missing
1430	26 ...	9 "	159429
1431	27 ...	10 "	159449
1432	28 Beaufort	Mich. 10-11 Henry VI ¹	159430
1433	29 ...	11-12 "	159431
1434	30 ...	12-13 "	159432
1435	31 ...	13-14 "	159433
1436	32 ...	14-15 "	159434
1437	[33] ...	[15-16] "	Missing
1438	[34] ...	[16-17] "	Missing
1439	35 ...	17-18 "	159435
1440	[36] ...	[18-19] "	Missing
1441	37 ...	19-20 "	159436
1442	38 ...	20-21 "	159437
1443	[39] ...	[21-22] "	[Missing]
1444	[40] ...	[22-23] "	[Missing]
1445	[41] ...	[23-24] "	[Missing]
1446 Mich. to	[42] ...	[24-25] "	—
1447 April			
1447 June-Mich. 1	Wainfleet	25-26 "	159438
1448	2 ...	26-27 "	159439
1449	3 ...	28 "	159440
1450	4 ...	29 "	159441
1451	[5] ...	[30] "	Missing
1452	6 ...	31 "	159442
1453	7 ...	32 "	159443
1454	8 ...	33 "	159444

¹ The earlier years of this reign are dated by the fiscal year "incipiens" at Michaelmas. From 1432 onwards another adjustment is adopted. The difficulty is due to Henry VI beginning his reign on September 1st. A further adjustment will be noticed with the third year of Bishop Wainfleet.

A Plan of International Government in 1864

By SYDNEY HERBERT, M.A.

THE history of the theory of International Government in the nineteenth century still remains to be written, a remark which applies equally, it may be said, to the practice. Commandant Weill has recently called attention to a forgotten precursor of President Wilson, who wrote under the First Empire—a curiously unpropitious time.¹ Strangely enough, the even more obscure forerunner to whom this note is devoted, published his scheme in 1864, under the regime of Napoleon III. Importance cannot be claimed for him; when the history mentioned above at last comes to be written, he will, at best, provide material for a paragraph or so. He is mentioned here simply to facilitate the task of this future historian.

The work which sets out the plan for a new European organization is a pamphlet of thirty-two closely printed pages, published by Dentu of Paris, its full title being *Questions de haute politique et d'organisation sociale soumises à l'appréciation de l'opinion publique*. The author's name appears as Henri Fraisse, self-described as "civil engineer." This is all the information as to his personality at present available.

The circumstances which led Fraisse to publish his plan are set out in some prefatory notes. In 1863, the Polish insurrection attracted widespread sympathy, which was nowhere warmer than in France. On March 4th, 1863, Fraisse petitioned the Senate to invite Napoleon III to unite with other European governments "to put an end to the murder of poor Poland, then to annul the treaties of 1815 and replace them by others, in order to establish a true equilibrium and assure the peace of Europe." As is well known, the Emperor did endeavour to intervene in the Polish question, and on November 4th, 1863, issued a circular to the European Courts suggesting, in language which almost echoes that of Fraisse, that the edifice erected at Vienna in 1815 was in a state of collapse, and that a Congress should be held "to regulate the present and insure the future."² All this encouraged Fraisse, both to renew his petition to the Senate (reprinted in his pamphlet), and to develop his scheme for an international government. The form it took was a draft Constitution for "the United States of Europe."

¹ Cf. *Un Précurseur inconnu du Président Wilson*, by Commandant Weill, Paris, 1922.

² Cf. *La politique impériale exposée par les discours et proclamations de l'Empereur Napoléon III*, pp. 399-401.

This phrase gives the key to the whole plan: the peoples of Europe are to "institute a supreme government for the Union of European Nations"; to this Union, each separate nation will delegate its sovereignty, though it will retain its right of internal self-government. Its constitution and laws, however, must be made to harmonize with the principles on which the new Supreme Government is to be founded, viz., Justice, Peace, and Fraternity.

The Union, when formed, was to be endowed with a constitutional government, the frame of which is described at some length in the draft. The supreme authority, possessing both legislative and executive powers, was to be an Assembly, having a very wide range of activity. Thus, the Assembly was "to regulate differences between nations within the Union"; it was to compel them to respect its constitution and to observe their own; it was to have the right to depose any head of a state who violated its constitution or that of his own country; it "declares war and makes treaties of peace, alliance, and commerce with the other nations of the world," and in collaboration with them was to frame laws in matters of common concern "such as the rights of nations and neutrals, non-intervention, the abolition of slavery and the death-penalty . . . the decimal system of coinage, weights and measures, patents, etc."; it was to supervise the legislation of States-Members (to use our modern phrase) and to possess the right to veto national laws which were contrary or hostile to "religion, morality, individual liberty, the equality of citizens before the law, the inviolability of property, the irremovability of magistrates"; moreover, "no country in the Union can be constituted as a nation, or be disunited from one nation to be annexed to another, or divided to form several distinct nations," without the consent of the Union. Finally, all treaties between European nations must be ratified by "the Minister of Relations of the Union"—an interesting anticipation, this, of one of the functions of the League of Nations. The official language of the Union was to be Italian as being "the most pleasing and the easiest to learn."

The Assembly which was to wield these large powers was to be elected by a free, direct, and secret ballot. Representation was to be distributed according to population, and, for this purpose, nations were to be grouped together to form electoral units. Thus, France and Holland were to form three "electoral nations"; England, two; Belgium, Denmark, and Sweden, one; and so forth. Every ten years additional representatives were to be chosen to meet the natural growth of population. The representatives were to be electors in their own countries and at least thirty years of age. They were to be elected for life. A Council of State was to prepare projects of law for adoption by the Assembly, each constituent nation was to be represented in it, and its members were to be elected by the Assembly. A President, also elected by the Assembly, was to preside in the sittings of that body, and was, at

the same time, to rule the Roman States, for it was there that the Union was to have its seat of government.

Executive functions were to be performed by a bureau of the Assembly, known as the "Bureau of Executive Power"; it was to be presided over by one of the three Vice-Presidents of the Assembly, and to it the Ministers of the Union (elected by the Assembly from among its own members) were to be accountable. The whole edifice was to be crowned by a High Court of Justice, but this was not to sit as a tribunal for deciding disputes between states: its functions were to be confined to punishing infractions of the laws of the Union and of the constitutions of member-nations.

The Government of the Union was not to rely simply upon moral force for the execution of its will. It was to have an army and navy, made up of contingents furnished by the member-states in proportion to their populations, and this armed force was to be directed by a Minister of the Union. One curious provision lays down that five years after the constitution of the new international government, all warships are to be converted into merchant vessels. These would be armed in case of necessity. In the same way, all European fortifications were to be abolished, save those necessary for the protection of Asiatic frontiers and of the Atlantic littoral.

Fraisse was not content with framing a constitution for a regenerated Europe; he also sketched for it a code of Public Law. This provided for religious and civil freedom and equality in all the constituent states of the Union; for the basing of their internal systems of government on manhood suffrage, and the principle of representation; and—a suggestion by which the writer betrays his nationality in rather amusing fashion—for the universal adoption of a system of local administration in which *communes*, *cantons*, *arrondissements*, and *départements* were to be the areas of government.

The point naturally arises: Who was Fraisse? Was he an isolated thinker or did he represent some current of opinion, inefficacious, perhaps, but historically interesting? As regards his personality, nothing is known save the facts as to his profession and his petition, as set forth in the pamphlet. As to the origin of his ideas one can only speculate, but some suggestions may tentatively be made.

A footnote to page 31 of the pamphlet, appended to a quotation from the New Testament, refers the reader to "*la doctrine fusonienne, Paris, route d'Orleans, 63.*" This has an interesting sound, but "*la doctrine fusonienne*" has defied all the present writer's attempts to identify it. Was it, perhaps, an offshoot of the Saint-Simonian movement, and was Fraisse a member of that remarkable group of men who had received the founder's doctrines from Enfantin? Fraisse, as we know, was a civil engineer, and the Saint-Simonian philosophy seems to have appealed with special force to men of that profession. In addition to the well-known case of De Lesseps,

M. Weill mentions as Saint-Simonians several railway engineers who were active during the first great constructive period under the July monarchy.¹ Indeed, the members of the sect, from Enfantin downwards, urged on the construction of railways with religious fervour. It may well have been the case, therefore, that Fraisse, like others of his professional brethren, had adopted a social philosophy which appealed strongly to his constructive instincts.

Two other circumstances go to confirm this view. The first is that Fraisse printed at the end of his pamphlet another petition which he had addressed to the Senate in favour of "*la Bienfaisance*." This set out a long list of desirable social reforms which he urged the government to undertake. Among these was a demand that the State should organize cheap credit for workers in industry and agriculture. Now, Enfantin and others of the sect had demanded something of this sort in their journal, *Le Cr dit*, in 1848.² The second point is that belief in internationalism was traditional among the Saint-Simonians. The founder, under the First Empire, had prophesied that a time would certainly come when "all the peoples of Europe will feel that matters of general interest must be regulated before descending to national interests"; then, he went on to declare, "evils will begin to abate, troubles to be appeased, wars to cease."³ When Napoleon III followed up his above-mentioned letter to the European sovereigns by a speech to the Legislature on the same theme,⁴ Enfantin disinterred this prophecy of his master and caused it to be published in *L'Opinion nationale* under the heading "A preface to the Imperial speech."⁵ The ideas of Fraisse were certainly in the Saint-Simonian tradition.

On the other hand, his name does not appear in M. Weill's very thorough study of the later history of the movement, and it is possible that he represented no more than an insignificant offshoot of the sect. However this may be, it has seemed worth while to rescue his name for a moment from oblivion.

¹ Cf. Georges Weill, *L'Ecole Saint-Simonienne*, p. 204.

² *L'Ecole Saint-Simonienne*, p. 228.

³ *Œuvres de Saint-Simon et d'Enfantin*, Vol. XIII, p. 222.

⁴ *La politique imp riale*, p. 401, et seq.

⁵ *Œuvres*, Vol. XIII, p. 223.

The Entrepreneur Myth¹

By M. H. DOBB

It is perhaps no exaggeration to say that one of the chief reasons why the polemics of Socialists and Individualists are as a rule so inconclusive is that both tend to regard the period about 1800 as the starting point of everything characteristically modern. The arguments of the two seldom meet. Each emphasizes a different point and tends to ignore the particular issue on which his opponent is laying emphasis. When Dr. Marshall patronizingly disposes of the Socialist in a footnote, he usually leaves the Socialist cold ; and when Mr. Webb attempts to criticize the social philosophy of the orthodox economists, his criticism has a quite peculiar way of missing the mark. One of the reasons of this inconclusiveness is that in general the Socialist and the Individualist each has only a partial theory of the development of modern capitalism.

To the Individualist the Industrial Revolution is important, because it introduced the free economic order. The pre-existing "errors" of the Mercantilists were abandoned and the great "truths" of Adam Smith won the day. Mobility of resources and freedom of enterprise, resulting in a progressive widening of the market, were the two great principles of the new era. The keystone was the union of control with risks. They were inventions as important as the more tangible discoveries of Arkwright and Crompton and Cartwright and Watt. Although progress in the future may perfect and develop and perhaps modify those grand principles, it would not be progress by the implicit definition of the word if those principles were abolished. A new economic order must include those principles ; it must not supersede them.

To the Socialist the Industrial Revolution is important for an opposite reason. It was at this period that Society ran upon the wrong lines. The technical changes of this period placed immense power in the hands of the capitalist undertaker. The concentration of workers into factories made of the relation between employer and employed a relation between tyrant and subject—wage-slavery. The principle of *laissez-faire*, which this period introduced, is the charter of the rich and strong to exploit the poor and weak. The Socialist condemns the grand principles of the Individualist as the conditions of this subjection and exploitation. When the Individualist replies, he points out that the industrial autocracy and the inequality of which complaint is made are in part necessary conditions of a system of free enterprise. The union of control with

¹ Based on a paper read to the Economics Section of The Heretics, at Cambridge, on May 23rd, 1923.

risk may involve evils, but the evils are surely a small price to pay for the blessings it entails? Mitigate those evils by all means, but not at the expense of the good! And when the Fabian endeavours, as on rare occasions he does, to banish the inconclusiveness of the argument and to tackle his opponent on his own ground, he is forced into the position of criticizing the efficiency of Individualism in particular cases, and of advocating, not its complete supersession, but its modification by a little Collectivism in a few *named cases*. The Fabian, if he does this, has accepted the assumptions of the Individualist, and his difference from the Liberal has become merely one of degree.¹

The more modern and competent presentation of the Individualist case derives most of its force from an examination of those origins of modern capitalism which are prior to the Industrial Revolution. This case offers, perhaps for the first time, a scientific refutation of Socialist criticism by showing the principles on which Individualism is based to be the *necessary* conditions of modern industrial progress. It thus tries to give a scientific basis to Individualism in place of the metaphysic of "natural law." It has found, perhaps, its best historical expression in a post-war work by Professor A. P. Usher.²

In the first place Professor Usher criticizes what he calls the German Socialist School³ for ascribing too much importance in social evolution to industrial *forms*. Industrial forms are merely the surface expression of economic development, not its essence. The process of development lies in something more fundamental. In the second place he asserts that this more fundamental thing in social evolution is the division of labour. This forms the groundwork of history. A given state of intricacy in this economic differentiation will produce a need for a certain kind of integration. Hence, whenever in history there have occurred similar industrial forms, it is because there existed similar degrees of economic differentiation in the two periods. When industrial forms change it is because economic differentiation has become more complex, and a new method of integration is consequently required. The attitude of Prof. Usher to modern capitalism is to regard it as the culminating stage in a long series of changes in the economic groundwork—the division of labour. The important departure towards modern industrialism would appear to have been made, not in the eighteenth century, but in the fourteenth and fifteenth centuries. At this period the dissolution of feudalism was well advanced, and the subdivision of the

¹ Sidgwick supported Socialism as "a supplementary and subordinate element in a system mainly individualistic." (*Elements of Politics*, 4th edn., 146.) Von Wieser mentioned that the free economic order "requires supplementing by suitable interference" on the part of governments," but does not require "complete overturn" (*Natural Value*, 56).

² *An Introduction to the Industrial History of England*.

³ Under this head he appears to include Sombart, Bucher, Wagner, Rodbertus, and Marx.

crafts had begun to develop on an extensive scale. Each craft tended to split up into numerous specialized divisions. To prevent this differentiation from dissolving into chaos some new method of integration was needed, which was found in the "commission" or "putting out" system. Under this system a large number of small master craftsmen, employing journeymen and apprentices, were dependent on a commercial capitalist undertaker, who marketed the produce and often advanced the raw material. When the division of labour extended further to a splitting up of various parts of a homogeneous process, as in Adam Smith's pin factory, there arose the need for a co-ordinated plan of production and for organized team work. The capitalist undertaker was needed, no longer only as a merchant, but as a disciplinarian, and the factory system was the result.

This interpretation provides an apology for the system of capitalist undertaking by showing it as the necessary condition of the intricate system of specialization which constitutes modern industrialism. Capitalist undertaking cannot be dispensed with unless the conditions which are its foundation are dispensed with also.

"A capitalist employer was necessary to prevent specialization from degenerating into disorder. . . . (Besides a study of industrial forms) there is need also of a study of conditions that produce this progression from the simpler to the more complex forms. It is peculiarly unfortunate to assume that the main task is completed when certain forms have been arranged in a logical sequence."¹

To this view, just as the limitations of nature always impose on mankind a certain element of "determinism" and "necessity," so a certain stage in the division of labour imposes upon society the "necessity" of the capitalist undertaker. The early economists were, therefore, right in saying that the evils of which the Socialists complained were attributable to natural and not to institutional factors.

The economic aspect of Individualism as reclothed in modern garb is consummately represented in the social philosophy of the Cambridge School of economists, or (as a writer in *The New Republic* recently termed it) of the Cambridge "Neo-Classics." The term Neo-Classical is not entirely inappropriate; for what the Cambridge School has done is to divest Classical Political Economy of its more obvious crudities, to sever its connection with the philosophy of natural law, and to restate it in terms of the differential calculus. The line of descent is fairly direct from Smith, Malthus, and Ricardo; and Cambridge has remained relatively untouched by the anti-classical doctrines of the German semi-Socialists and the Austrian School.

This economic theory regards the *telos* of all economic activity as the maximization of utilities. This is the economic maxim. Cost

¹ Usher, *op. cit.*, 3 and 13.

represents a deprivation of certain utilities. The economic justification for incurring any cost is that not only a greater utility is obtained but the greatest possible utility under the circumstances. Hence, two conditions are necessary to the fulfilment of the economic maxim. First, marginal utility must be greater than marginal cost. Second, economic resources must be so distributed between various uses, that there could be no gain from shifting resources from one use to the other. These conditions imply the existence of an *economic measure* as the regulator of production ; and this is afforded by the mechanism of price.

From the viewpoint of the economist, therefore, the economic world is a complex of price-relations—of persons striving to satisfy certain wants and coming constantly in conflict with certain obstacles to that satisfaction. In the centre of this chaos stands the capitalist undertaker. The to-be or not-to-be of a productive enterprise is in his hands ; the distribution of resources between numerous competing uses is under his control, and he regulates his actions by movements of price, indicative of movements of market demand. The undertaker, therefore, is the nerve-centre of the organism, infinitely delicate. On his state of mind depends the efficiency of the whole. All the technical inventions in the world would avail little, if this co-ordinating mechanism ceased to function. Hence, the need for the undertaker is conditioned by the highly complex differentiation of modern society. The payment to evoke this activity is a “ necessary ” cost in the sense that it is imposed, not by a particular system of politico-legal relations, but by the division of labour and ultimately by nature. The more clearly the price-index finds expression and the more imperatively the profit principle exacts obedience, the more efficiently is the undertaker likely to fulfil the economic maxim.

It is now generally admitted that the classical economists were too sanguine of the efficient operation of the price and profit principle in the actual world : they were too neglectful of certain divergencies between the ideal economy of their pure theory and the real economy of concrete things. The neo-classicists have repaired this breach in the classical doctrine by the use of the conception of “ *economic friction*.” It is now customary for economists to forestall criticism by indicating that the condition “ other things being equal ” must always be carefully remembered in the statement of an economic law. In many cases there is incomplete mobility of resources ; in some cases the test of profitability is not completely synonymous with social utility ; the price offered by consumers is not always a completely adequate index of need. Nevertheless, the principle of the undertaker’s function is paramount. Criticism is wrongly placed when levelled against him. Reforms are ill-advised which hazard his efficient operation.

This is all logically irrefutable—as, indeed, is almost any statement under the sun when conditioned by “ other things being equal.”

Moreover, it is of very great importance. Unless one denies that a knowledge of implications is a necessary component of knowledge, as certain Oxford political theorists and American sociologists appear to do, one must recognize that the Cambridge School has made an invaluable contribution to knowledge. But the Cambridge School is not only a school of pure economic theory. It is a school, too, of *applied* theory, and consequently involves a certain *social philosophy*. The emphasis on this side seems likely to be greater in the future in view of the statement of Mr. Keynes that the future for the economist lies in the obtaining of a "knowledge of *relevant facts*" and in "applying economic principles to them."¹ It is this social philosophy which the writer ventures to criticize—a philosophy which, although not a *logical* deduction from the pure theory, is nevertheless a *reasonable* inference from the manner in which that pure theory is presented, and is clearly the *psychological product* of that manner of presentation.

What the writer has ventured to call the Entrepreneur Myth forms the pivotal point of this social philosophy. In the historical view it lies in the assumption that, because the capitalist undertaker arose historically as the co-ordinating force in a complex world, therefore in some absolute sense this was the "necessary" and only possible method by which that integration could have taken place, and that in some final sense the complexity of the division of labour was *the* cause of the capitalist undertaker. Hence the two are inseparable. True, it may be as futile to ask whether the past could have been other than it was, as to ask whether the future will be other than it will be; but for analytical purposes one is justified in maintaining that, if other factors besides the division of labour had not been present, the capitalist undertaker would not have happened. Other social facts, such as class differentiation and private property in land, have equal right to be called "causes" of the capitalist undertaker; and there is no *prima facie* reason to suppose that the needs of a differentiated society for an integrating force could not have been in the past and could not be in the future satisfied in other ways, were social conditions in general different. Nevertheless this assumption is implicit in a surprisingly large number of works on social philosophy. Maybe, if faced with the issue, Prof. Usher would deny he made any such assumption. His denial, however, would destroy the historical basis for that individualist philosophy, which his work seems to imply. The contrary view, in brief, which the present writer attempts to advance, is that the progression of economic forms is a function, *not only of the division of labour, but also of class differentiation*.

The economic aspect of the myth is not involved in the pure theory. It is into *applied economics* that it obtrudes itself. It takes the form of too great a neglect of the exceptions swept aside under "economic friction," when economic laws are applied to

¹ Preface to the first four of the Cambridge Economic Handbooks.

concrete phenomena. We find the too ready assumption continually being made that the functions performed by the ideal entrepreneur of the pure theory, hedged and guarded with *ceteris paribus*, are the same as those performed by the capitalist undertaker in the concrete. The extent of the divergence of the real from the ideal has not been sufficiently examined; nor has sufficient attention been given to the conditions which may tend to make this divergence so great, that any identification of the two becomes, not only unprofitable, but absurd. The conditions arising out of the war, for instance, may be conditions of this kind.

The entrepreneur of the pure theory—the regulator of production according to the economic maxim—is merely an algebraic symbol. It is the formulation of a necessary *function* (in the non-mathematical sense), of which the fact of economic differentiation gives need. It is quite wrong to assume, because the same word is used for the function and the person fulfilling it, for the ideal entrepreneur in the world free of economic friction and for the undertaker in the world of very much friction indeed, that therefore the two are identical.¹ This, when stated, appears obvious enough; but the mistake in practice, nevertheless, is not confined to thinkers of a second-rate order.

* * * * *

Now, it would seem that the existence of certain differential advantages was an historical factor of as much influence in the rise of the capitalist undertaker as the complexity of the division of labour, on which Prof. Usher lays emphasis. These differential advantages, in part the legacy of feudalism, placed one class of the community in a position where the assumption of risk and the organization of commerce were relatively easy; while another class, lacking those advantages, was placed in a position of relative dependence. When such advantages were of sufficient scarcity, relative to society's demand for the undertaker, the money return to the activity of the undertaker in consequence was large.

It is, perhaps, in part due to the great emphasis placed on the Industrial Revolution, that the strong influence of monopolistic or semi-monopolistic privileges on the rise of the capitalist undertaker has been so much neglected as it has. In general we find monopolistic privileges and the rise of the undertaker connected together in a very significant fashion. The chief effect of these privileges was that they tended to make the supply of resources to fulfil the privileged functions relatively inelastic² and so to create a condition of relative scarcity. It will be clear that no comprehensive examination of such privileges could be attempted here. The mention of a few typical cases must suffice.

¹ The term *entrepreneur* is, in this paper, confined to the function, and the term *undertaker* to the person fulfilling it in an individualist system.

² Inelasticity is intended here to refer to the shape of the most relevant part of the supply curve, and is used in the same sense as the statement that the demand for necessities is in general less elastic than the demand for luxuries.

i. The ownership of land of particular utility, due either to its being a favourable site for a trading centre or to the existence of mineral deposits, clearly provided a very important differential advantage. The significance of this is shown in the origin of most of the Gild Merchants of the towns, and in the development of the mining industry. The early traders of the Gild Merchants, whose descendants later became the foreign adventurers and the powerful merchants of the trading companies, were probably "the old families, the original possessors of the soil in and around the town,"¹ who either possessed or had obtained from a feudal superior monopoly of market rights.² Later, younger sons of the nobility brought their inherited fortunes into the towns and participated in trade, their wealth and position giving them a distinct initial advantage. Land-owning gentry frequently purchased membership of privileged companies, often being welcomed on exceptionally easy terms.³

Mineral resources appear to have been worked very largely in the first instance by the feudal lords. In other cases mineral rights were leased to ecclesiastical houses, to country gentry, to merchants and foreign adventurers, who had the necessary means to pay the lease and to work the mines. These people clearly did not wish as a rule to work in the mines themselves, but wished to hire workmen at a wage which would leave to the owners a margin of profit. In many cases the use of serf-labour went along with the lease of land. Serfdom in the Scottish mines existed up to the end of the eighteenth century⁴; and it still existed in the north of England in the reign of Elizabeth. We find in 1496 Bishop Fox appointing a surveyor over the workmen in his mines with power to imprison the disobedient⁵; and vagabonds were often condemned to the mines by the magistrates. In Russia the mines were worked by serfs until comparatively recently, and when the Tsar leased mining rights in the seventeenth and eighteenth centuries to foreign adventurers like Lt.-Col. Henning, he assigned serfs as well.⁶ The King's miners in the Mines Royal in Britain, though nominally freemen, appear to have been unable to change their occupation. These mines were often pledged by the Crown to creditors, and were later operated by a Joint Stock Company. In 1299 we find Edward I making over the Mines Royal in Devon to some financiers of the Frescobaldi, and agreeing to supply the necessary labour at the customary wage.⁷ In these cases clearly the capitalist undertaker had the double advantage of cheap labour and of mineral rights, only available to relatively few. In the tin mining areas of Devon and Cornwall, however, mining was free to all who cared to stake out a claim, and

¹ Brentano, *History of Gilds*, in Smith's *English Gilds*, c.

² R. H. Gretton, *The English Middle Class*, 17-22.

³ Cf. esp. Westerfield, *Middlemen in English Business*, 410-11.

⁴ D. Bremner, *The Industries of Scotland*, 5.

⁵ R. C. Galloway, *Annals of Coal Mining*, 75-6.

⁶ Scrivenor, *History of the Iron Trade*, 164.

⁷ G. R. Lewis, *The Stannaries*, 192-3.

free mining persisted for several centuries. "Had the mines remained attached to the ownership of the soil, perhaps nothing could have saved the stannaries from a regime of capitalism. . . . Where 'bounding' prevailed, however, it was open to the poorest villain to become his own master simply by laying out a claim."¹

2. In these free mining areas, which we have just mentioned, a principal feature of the transition from free mining to capitalism seems to have been some kind of monopoly either in the smelting or in the purchase of the ore. This monopoly forced the miners into a dependent position, and created a class (or classes) of capitalist undertakers.

In the mining customs of the lead mines of Mendip² there was the provision that any man could "peg out" a claim and get a free licence from the lord, and that the ore, when dug, could be smelted wherever the miner liked. But we find the more powerful lords using every effort to force miners to smelt their ore at the lords' furnaces.³ In the German silver mines there existed somewhat similar free mining by associations of workmen. But in the fifteenth century there were continual complaints of difficulties in selling and smelting the ore, since the smelters had obtained various privileges from the feudal lords. To remedy this the Emperor Maximilian in 1512 erected a smelting house, independent of the smelter-monopolists, and Ferdinand attempted similar remedies. These remedies, however, appear to have failed, and the workmen "throughout the Empire slowly retrograded in their status," and the wage-system became common.⁴

Similarly there is clear evidence that in the Cornish tin mining industry the provision in the mining law that miners could only sell their tin at Midsummer and Michaelmas played into the hands of the middlemen.⁵ It forced the tinnerns into borrowing from the merchants in the intervening period before the day of sale. Consequently the tinnerns were in a dependent condition and were in an inferior bargaining position when the day of sale ultimately arrived. In Tudor times the right of pre-emption of tin was granted to various persons, among others to the Pewterers' Company, which in 1615 obtained the right of pre-emption of half the tin output. The effect of this monopoly to merchant buyers can be gauged from the fact that, when the monopoly was removed under the Commonwealth, the price of tin doubled. When the monopoly was restored after 1660, wages of tinnerns fell from 30s. per month to 14s. to 15s.⁶ The tin-miner at this period was "kept in a state of semi-bondage by the custom of obtaining money advances or 'subsist' from his employer."⁷

3. The growth out of the early guilds of a class of rich merchant undertakers, who gave out work to numerous small masters, appears

¹ *Ibid.*, 35.

² See Eliz. State Papers, Dom., cc. lxxxvii, 97.

³ Victoria County History, Somerset, 2, 368.

⁴ Lewis, *loc. cit.*, 180.

⁵ *Ibid.*, 210.

⁶ *Ibid.*, 220-2.

⁷ *Ibid.*, 222.

to have arisen from three species of monopoly. First, there was the monopoly of trading rights by certain guilds or certain groups of merchants; second, there was the restriction of the number of masters by the erection of hindrances to journeymen becoming masters; third, there was the capture of political power by the richer merchants, which enabled them to secure further monopolistic privileges.

By the fourteenth century a few of the richer guilds had secured either municipal privileges or royal charters which gave them the monopoly of trade, and consequently put them in "a position of supremacy and prestige."¹ As a result, the other guilds, who (often after a struggle) were precluded from doing their own marketing, "fell under the tutelage of the more powerful (trading) Guilds."² For instance, the cutlers became the employers of the bladesmiths and sheathers, and the skimmers of the whittawyers and curriers.³ In 1327 there was a riot in Cripplegate of joiners, painters, and limers against the saddlers who employed them, and whom they accused of trying to get a monopoly of selling rights.⁴ Guilds like the Drapers and Mercers and Grocers were probably from the beginning composed exclusively of traders, and secured by incorporation monopolistic trading rights. In Flanders as early as the thirteenth century we find the drapers superintending the whole process of cloth manufacture, and giving out work to craftsmen. In France we find M. Boine Broke, Sheriff of Douai, at the close of the thirteenth century, who "had reduced his employees to a condition of helpless dependence: they were most of them in debt to him, many lodged in houses rented of him, and he had established a kind of truck system."⁵ At Thüringen, in Germany, similarly the mercers "acted as merchant employers to the industry" in the fourteenth century.⁶

Meanwhile in the big industrial companies, like the Clothworkers, control in the fourteenth and fifteenth century began to pass into the hands of the wealthiest members, who constituted the Livery.⁷ This happened also in the guilds of the German towns and in the Parisian *corps de métier*. "This cleavage of classes within the guilds became daily wider, and the craftsmen proper, under the name of Bachelors or Yeomen, fell into a position of dependence. . . . The dividing line between master and journeyman was more clearly defined and less easy to cross, and the master began to be a wealthy employer of labour."⁸ There was a definite and sustained conflict between journeymen and masters in the German towns throughout the fifteenth century,⁹ and similar struggles occurred in the towns of North Italy and the Netherlands in the thirteenth and

¹ A. H. Johnson, *History of the Company of the Drapers of London*, i, 25.

² *Ibid.*, i, 24.

³ G. Unwin, *Industrial Organization in the Sixteenth and Seventeenth Centuries*, 24-5.

⁴ *Ibid.*, 22.

⁵ Johnson, *loc. cit.*, i, 76. Cf. also Pirenne, *Belgian Democracy*, 95-97.

⁶ Unwin, *loc. cit.*, 26. ⁷ *Ibid.*, 41-2. ⁸ Johnson, 23. ⁹ Unwin, 49.

fourteenth centuries.¹ In the Clothworkers' Company in London in the sixteenth century there was a clear division between small masters, employing journeymen, and big merchant employers, who controlled the Company and put out work to the small masters.² In Stuart times the more wealthy of the small masters' associations in their turn purchased monopoly rights from the Crown, such as the leatherworkers, who became the Glovers' Company, the felt-makers, the pinmakers, and the playing-card makers. These monopolies appear to have been the basis of a class of specifically industrial, as distinct from commercial, capitalists.³ But the majority of small masters, who were not among this favoured few, gradually sank to the level of journeymen during the seventeenth and eighteenth centuries.

In the early days of the gilds it was not very difficult for journeymen to become apprenticed and to set up on their own; and the hero of the meanest villein who had emigrated from the countryside was a Dick Whittington, marrying his master's daughter and becoming Lord Mayor.⁴ But by the end of the fifteenth century this appears no longer to have been the case. Entrance fees to mastership began to be raised; and on the continent the custom grew of demanding an elaborate and costly piece of work, from which, however, sons of masters were exempt. Often the mastership "became practically hereditary on account of the difficulty of complying with the conditions of entrance."⁵ In Germany in the sixteenth century the qualification of "worthy birth" was necessary; journeymen had to travel for five years before they could be masters; and luxurious inauguratory dinners were required.⁶ By the reign of James I in England the customary cost of being apprenticed in the bigger companies had risen from £10 to £60 and sometimes to £100. In the early eighteenth century the cost ranged from £500 to £800.⁷

Political power was exercised in numerous ways by the more wealthy merchants, mainly to obtain fresh monopolistic privileges. In London by the sixteenth century the government of the City was entirely in the hands of the large gilds, which in turn were controlled by the more wealthy members. "The Gild organization and that of the City had become amalgamated."⁸ This influence the gilds appear to have used to secure trading rights and the right of inspection and regulation of their trade.⁹ In Germany it was common for the burden of taxation to be shifted on to the poorer mem-

¹ Cf. Sismondi, *History of Italian Republics*, and Pirenne, *Belgian Democracy*.

² Unwin, 112-14.

³ Cf. Unwin, 127-30, 136, 201-9. Cf. also W. H. Price, *English Patents of Monopoly*, 35-40.

⁴ Cf. Unwin, *Finance and Trade under Edw. III*, 17.

⁵ Brentano, *loc. cit.*, cxxxviii; cf. also Unwin, *Industrial Organization*, 48; Gretton, 69; Kramer, 78-9.

⁶ Brentano, *cl.*

⁷ *Ibid.*, cxlix. Cf. Ashley, *Early History of Woollen Industry*, 75-83.

⁸ Johnson, *loc. cit.*, 52; cf. Hazlitt, *The Livery Companies of London*, 69.

⁹ Cf. Kramer, *Craft Gilds and the Government*, 41-59, 130-44.

bers of the town ; and in Strasburg " some of the ruling families extorted from the craftsmen a yearly rent of from 300 to 400 quarters of oats," while in Cologne " the craftsmen were almost serfs to the patricians " (the traders).¹ In Edward III's reign the Parliamentary struggle was largely a struggle of home and export wool merchants for special monopolist privileges.² In the Tudor and Stuart industrial corporations, political influence at Court was a factor of predominant importance in obtaining a monopoly. In fact, one of the reasons for the financial difficulties of the early joint stock companies appears to have been over-capitalization on account of heavy initial expenditure in bribes to courtiers in order to obtain the charter of incorporation.³

Now, it is perfectly true that few of these monopolies were absolute for any length of time. It is true that there was always what Dr. Marshall has called " marginal mobility." There were always some journeymen rising to be small masters, small masters rising to be big masters, and big masters becoming foreign export merchants. For some reason it seems to have been customary to concentrate attention exclusively on these instances of mobility, and to reject a monopolistic⁴ interpretation of the development of class differentiation, because there has always been *some* mobility between grades. But although some mobility existed, and the nature and position of the various barriers were always shifting, it nevertheless remains true that there were sufficient obstructions to mobility, sufficient differential advantages in the hands of certain groups, to make the supply of persons able to assume the various functions associated with capitalist undertaking much less elastic than the supply of persons for manual labour. This enabled the capitalist class to receive a higher range of income and hence to amass more wealth than the less privileged and unprivileged classes. The possession of money and privileges makes easier the acquisition of more money and further privileges, whereas the converse is true of those in a position of dependence. In technical language, the marginal utility of money and time-preference get smaller as a man grows richer ; whereas, on the other hand, the marginal utility of money and time preference get larger as a man grows poorer. Once started, therefore, there was a tendency for class differentiation, *ceteris paribus*, to increase.

It was because of this differential advantage that, when society developed the need for the function of integration, it was the capitalist undertaker who performed the function. He had the money, the position, and the political influence to do it ; and having absorbed

¹ Brentano, cx.

² Unwin, *Finance and Trade*, 217, 233, 241-50.

³ W. R. Scott, *Joint Stock Companies*, i, 143, 175, etc.

⁴ For want of a better term, " monopoly " is used in this article in the broader sense of a power to create a scarcity of supply, whether that power is absolute or not. In some cases the creation of the scarcity may be due to powers other than that of human volition, e.g., the case of land.

the gains of undertaking of the simplest and most profitable kind, he was in a better position to perform undertaking of a more comprehensive kind. It is characteristic of the habit of assigning the birth of modern capitalism to the Industrial Revolution that the rôle which the mercantilist system of monopoly played in its creation is neglected. Mercantilism, on the contrary to being entirely the senseless and harmful imposition, which Adam Smith pilloried, appears to have been a necessary condition of the growth of capitalist undertaking. The view that with its abolition the truly wise, free, and natural economic order had triumphed is merely idyllic. On the contrary, the change seems merely to imply that the differential class advantage had been sufficiently established to make it no longer dependent on particular legal privileges. Moreover, Mercantilism was opposed by the rising class of industrial undertakers since it tended to put them in a position of disadvantage relative to the merchant undertakers, and not fifty years had elapsed after the triumph of Free Trade before a new Mercantilism began to appear—the Trusts and modern Imperialism. The real importance of the Industrial Revolution was that it largely dispensed with the numerous intermediate and partially dependent interests of small masters and sub-contractors and middlemen merchants, and that it brought about a direct economic relation between the undertaker and his labourers.

An interesting instance of capitalist undertaking, perfectly matured, but not yet consummated by the final step impelled by power-machinery, is that of Sir Ambrose Crowley of Durham County about 1700. Crowley, who was knighted in 1706, owned an industrial town of 1,500 persons, engaged in the manufacture of steel, which had a large reputation at that time. The work was done in their own workshops by a number of small masters, employing one or two journeymen. Raw materials and often tools were supplied to the master-workers by Crowley, and they were paid for the work done according to the piece. There appears to have been a kind of Whitley Council to settle disputes, and there was an elaborate system of "laws," ordained by Crowley, and also a superannuation fund, and funds for sick, widows, and orphans, raised by a tax on all earnings. When Crowley became M.P. for Andover he had a fortune of £200,000. By 1827, however, "the usual fight between labour and capital had begun," and "Crowley's Crew," previously staunch Tories, had become Chartists.¹ Here we have all the essential features of capitalist undertaking except the carefully disciplined and planned team-work of the modern factory.

* * * * *

The economic theory of capitalist undertaking suffers from a neglect of a somewhat similar kind. Economists are perfectly sound when they show, as does Mr. H. D. Henderson in his *Supply and*

¹ Victoria County History, Durham, 2, 281-7.

Demand, that the more the entrepreneur function is operated efficiently, and the more price and profit as economic *measures* regulate production, the more the economic maxim of greatest economic welfare is fulfilled. But it is wrong to conclude straightway, as is so frequently done, that because the supremacy of the abstract entrepreneur benefits economic welfare, therefore the supremacy of the concrete undertaker of the real world is a benefit to economic welfare. Between the two there is a gulf fixed.

The most important fact which constitutes this "gulf" is that the marginal utility of goods is (in mathematical language) a function not only of the amount of satisfaction gained by consumers from them, but also of the amount of money possessed by them. As Dr. Birck puts it,¹ the "subjective-price" of a thing is different from the "value" which it would have if incomes were equal; and in the world as it is everything is a matter of "subjective-price" relations. In consequence, the statement of a certain value relation, constituting an economic law, can only be one of two things: (a) it can be regarded as a law which exists in the realm of pure theory, and can only become a law of applied economics, where there is economic equality; (b) it can be regarded as a law of the real world; but being a statement of a "subjective-price" relation, it must be regarded as entirely relative to a certain distribution of wealth—that existing in modern capitalist communities.

It is, perhaps, no exaggeration to say that most of the theories of the classical economists, like much of liberal political philosophy, would be admirable wisdom in a classless society. It is not applicable, however, to a society based on the differential class advantage, which we have just studied historically. Professor Cannan and Dr. Dalton have indicated this when they have said that economists hitherto have developed theories of distribution between abstract *factors* of production, but not of distribution between *persons* and classes. One could make the criticism more explicit. Economists have thought fit to propound a special theory of exchange between nations, for the reason that mobility of supply of resources is hampered by national boundaries: nations in part constitute "non-competing groups." To this view one nation may obtain an abnormally high level of income, because of certain differential advantages in international trade. Economists, as a rule, however, have developed no special theory of exchange between classes; although it is fairly clear that mobility between classes is considerably hampered by social distinctions, unequal educational opportunities, unequal money incomes.² Prof. Taussig has, in fact, suggested that social classes constitute "non-competing groups." If this is so, a considerable part of the superior income of the richer class of society is to be regarded as an *institutional* rent or revenue,³ due to restric-

¹ *The Theory of Marginal Value.*

² Cf. H. Dalton, *Inequality of Incomes.*

³ This term, and in part this whole conception, the writer owes to Mr. H. D. Dickinson. Mr. Dickinson, however, prefers the term "restriction revenue."

tion to a comparative few of the supply of persons performing the functions for which that class receives payment. The restriction is caused by the institutions of a class society. The "rent" can be regarded either in its scarcity aspect, or in its differential aspect as due to the possession of certain differential class advantages. It was clearly this "institutional rent" to which Marx was referring when he talked of "surplus-value."

The relevance of this to the problem of the entrepreneur is that this inequality of income disturbs the index of utility by which undertaking is regulated. The demand which will be effective in calling forth the production of utilities will be the demand made effective by the command over money. When there are competing demands of rich and poor for luxuries and for necessities the demand of the rich will triumph under a regime of free enterprise. Consequently, the system of capitalist undertaking is not production in accordance with any true economic maxim of pure theory; it is production regulated by an index which is falsified by that very differential advantage which the system finds necessary to its own efficient working. This evil, moreover, is cumulative. The greater the concession made to the capitalist class as an inducement to them to perform efficiently their functions of undertaking and accumulation, the greater is the falsification of the index of production. Every gain made by an undertaker increases his differential advantage; and by lowering the marginal utility of money to him makes it more easy for him to accumulate capital, to assume risks, to gain access to remunerative posts, and to obtain social and political power: the rich tend to get richer, and the poor conversely to get poorer.¹

These facts are not disputed seriously by economists; although they do not emphasize its implications. But their attitude towards proposals designed to diminish the differential advantage of the capitalist class is a strange one. They will, as a rule, countenance socialistic proposals only so far as the diminution of the differential advantages of the capitalist class does not impair the efficiency of capitalist undertaking and accumulation. In practice, therefore, the economist tends to range himself on the side of the individualist. This is a curious attitude. It defends inequality as necessary to the efficient performance of the entrepreneur function. It admits that because of that inequality the capitalist undertaker fulfils the function badly. It denies that the inequality can be reduced very much, because that would render the system of capitalist undertaking more inefficient still! Here we have a circle from which there is no apparent escape. But surely, it is one of the strongest arguments in favour of collective undertaking and collective

¹ This point the writer also owes to Mr. H. D. Dickinson. Dr. Dalton has suggested that it is an apparent feature of capitalist society for the *relative* share of work, as against property, in the national dividend to diminish. *A fortiori*, the relative share of manual labour and lower brain work will tend to decline.

accumulation that it will permit of a reduction of inequality and consequently will render possible the regulation of production more in accord with the economic maxim? In weighing the pros and cons, therefore, of any supersession of individualism, it is not sufficient to take into account factors concerned with the operation of one industry alone: there is the additional consideration, relevant to society as a whole, that each extension of collectivism makes possible a reduction of inequality beyond the "limit" of economic expediency, which would otherwise have existed.

But there is a, perhaps, more important case of divergence between the undertaker and the ideal entrepreneur. It is concerned with the phenomenon of the trade cycle and is traceable to the fact that when production is in the hands of a number of individual undertakers, there is introduced an additional element of risk and uncertainty. In the ratio of their competition there is created an immeasurable factor, which prevents the economic measure, extolled by pure theory, from regulating production.

An undertaker engaged in supplying a market has to estimate the quantity of supply which it is worth his while to market; and in making this calculation he has two factors to consider. Of these, one is a theoretically calculable one: the state of consumers' demand as expressed in market prices. The other is an incalculable factor: the amount which his competitors are likely to market. Here there is abundant field for miscalculation; here, where basis for sound calculation is absent, emotional influences (business optimism, etc.) enter in. If this miscalculation is universal and in the same direction, all will be well; for the market for goods, afforded by other industries, will alter in the same proportion as the miscalculation of supply. But if the miscalculation is not universal, severe maladjustment and wastage will result—over-capitalization and over-production in certain industries, leading to a "slump."

Now, there are two particular facts in the industrial world which make this a problem of very considerable importance, and not merely a matter of minor fluctuations in limited areas. These are facts concerned with the relation between the constructional trades and the rest of industry.

In the first place, it is clear that the demand for constructional goods will be a very fluctuating one. Constructional goods are probably the most durable of all the products of industry, and the demand for them is likely to be periodic and recurrent, and not steady and continuous. The demand will tend to be very great at particular times, usually during a trade "boom," when there is need to replenish existing stocks of constructional goods. Prof. Pigou has pointed out that the need on the part of industry for a 10 per cent. increase in the *total supply* of machinery may create a demand for an 80 per cent. or 100 per cent. increase in the *new production* of machinery.¹ At times of industrial expansion, there-

¹ *Economics of Welfare*, 807.

fore, the constructional trades will receive a very much magnified stimulus. The constructional trades will tend to expand in response. But after the completion of this batch of "boom" orders, the demand will probably fall off considerably, and the constructional trades will find themselves heavily over-capitalized and over-producing. The rise in price in this case will tend to be a *deceptive* index: it will not be a true index of the state of demand over the *average* of the ensuing years. Undertakers, however, will tend not only to respond automatically to this index, but to *respond in a greater proportion*, for the reason we have discussed above. It will be better for *each* undertaker to expand during the boom demand, and to swell the eventual over-production, rather than to have none of the profits of the boom, and to suffer just the same the losses of the over-production produced by his rival's temerity. But what is better for *each* will not be better for *all*.

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The conclusion seems fairly clear that for purposes of applied economics the implied association of the capitalist undertaker with the entrepreneur function is a source of considerable error. The system of capitalist undertaking is one way of fulfilling this function and it fulfils it with moderate inefficiency. The habit, therefore, should be avoided of attributing the virtues of the abstraction to one particular kind of enterprise—individualism; and economists should cease to sweep aside the inefficient characteristics of the capitalist undertaker under such phrases as "economic friction." Where the things included under "*ceteris paribus*" are relatively unimportant, this may be justified. For instance, in discovering the path of a bullet at short range, the facts of gravitation and atmospheric resistance may not be very important. If, however, the Law of Projectiles stopped short at its first approximation (the case of a vacuum) the result would be seriously wrong in calculating the path of a long-range howitzer shell. Before existing economic theory can be applied, closer approximations must be worked out. At present the entrepreneur of theory is more like the abstract projectile of the first approximation than the real object. The Austrian School, in particular Wieser and Boehm-Bawerk, have been more successful in this. Wieser, in his *Natural Value*, first formulates his laws of value as laws only fully operative in a classless society. But the English economists are still for the most part firmly set in the traditions of the classical economists.

At any rate, until we cease to pay homage to the holy myth of the Entrepreneur, and until we cease to suffer gladly so much, because we believe the capitalist undertaker to be indispensable, we shall be incapable of scientifically weighing the pros and cons of the various extant proposals for his supersession.

Wage Disparities in British Industries

By J. W. F. ROWE

THE great diversity in the level of wages in different industries at the present time has attracted a good deal of attention, not only from economists and large employers of labour but also from the community as a whole, and in particular from certain groups of wage-earners. It is common knowledge and talk that the present wages of building operatives, railwaymen, most civil servants, and the employees of local authorities show a very much greater increase as compared with the level of 1914 than do the wages of agricultural workers, miners, iron and steel workers, engineers and shipbuilders. In general, the two and a half to three million workers whose wages are adjusted by sliding scales based on the cost of living index number, are in a far better position than the remainder. This may be correct as a very rough generalization; but travelling further along such lines of thought, it is often asserted that a clear-cut division exists to-day between industries in which wages are based on "cost of living principles" and industries in which the basic principle is "state of trade," and that this division coincides with a division between home industries and exporting industries. It is argued that home industries can afford to apply the cost of living principle because they can "take it out of the consumer," whereas exporting industries have to meet foreign competition, and hence wages must depend on the state of trade. This is equivalent to saying that in regard to home industries, the ordinary factors of supply and demand, as governing wages, have been by some means or other more or less superseded; and the workers in these home industries, who on a cost of living principle are now receiving wages much higher than those paid in export industries, are accused, first, of blocking the way for trade recovery by making it impossible to reduce the price of the goods they produce and the services they render, both to the home consumer and to the exporting industries, and, secondly, of causing in large part the low wages paid in the exporting industries. In part these accusations are one and the same, but they are often used separately according to the requirement of the moment. It is the purpose of this article to examine such statements and arguments, not only from the point of view of economic principles, but more particularly with reference to the practical problem presented by the undoubted diversity in the present average rates of wages in different industries.

Is it the case that in any industry, wages are, or can be, determined more or less without reference to the state of trade and the supply

of suitable labour, relatively to the demand for it? In other words, is the so-called cost of living principle a reality as a factor determining wages? An examination of the different circumstances surrounding individual industries seems to indicate that wages must always be determined by state of trade and employment. Why are railwaymen's wages relatively high?¹ Because to a very large extent the same number of men have to be employed irrespective of the volume of traffic carried; traffic may fall and greatly reduce profits, but the demand for labour remains fairly constant, and the existence of a large number of unemployed in the general labour market does not greatly affect the supply side, at least over short periods, because the "skill" of many grades of railwaymen consists of experience and often of a highly specialized local knowledge, which cannot be acquired quickly. These are the factors which have given success to the well organized railway unions, far more than the mere fact that they are well organized, though that is an essential primary condition. The position of civil servants and of the employees of local authorities is somewhat similar, though there the demand for labour remains much the same, simply because there is much the same volume of work to be done in times of bad, as well as good, general trade, while in many grades the position is further solidified by restrictions on discharge. Passing over those temporary civil servants engaged during the war and now discharged, and some railwaymen in a similar position, we have, therefore, the concurrent phenomena of a relatively high wage level, and a relatively small number of unemployed. In the building trades, however, though weekly wages for skilled men show an increase of 75 to 80 per cent., and for unskilled more, there has been recently a fairly high degree of unemployment.² But, as is well known, this is due partly to the very unequal building activity in different districts, and also to the actual shortage in certain trades which has held up the remainder, since all are engaged in a co-operative effort. The bargaining strength of the building operatives has been sufficiently strong at certain points to enable them to maintain a relatively high standard of payment, though its weakness at others has not made it possible to avoid local and sectional unemployment. For another large group of industries where wages are regulated by sliding scales, there is a relatively high level of wage rates, accompanied by little total unemployment, but a large amount of short time, and therefore weekly earnings may be relatively low. Thus, in the woollen and worsted trades, rates of wages are 80 to 90 per cent. above the pre-war, and unemployment only 4·1 per cent.; while for the boot and shoe trade the corresponding figures are 85 to 95 per cent., and 7·9 per cent.; for the Midland hosiery trade, 66½ per cent. and 4·4 per cent.; and for the carpet trade, 60 per cent. and 3·3 per cent. In

¹ Rates of wages show from 100-150 per cent. increase over pre-war (*Labour Gazette*, October, 1923).

² Last available percentage figures, 11·5 (*Labour Gazette*, June, 1923).

all these industries trade has been bad, though worse in some cases than in others ; but in all, the practice of short time is more prevalent than a discharge of staff. Owing to the technical conditions of production, costs per unit of production are much the same, whether all the machinery runs half-time or half the machinery full time ; while if much short time is necessary, it can be so arranged that the operatives qualify for the systematic short-time benefit under the Insurance Acts, and thus receive a supplement to their low earnings.¹ At the bottom of a depression demand is inelastic, at least in a downward direction, and if the rate of wages were halved it is most unlikely that full time could be worked ; while even if that were so, the operatives would sacrifice the actual and potential benefits of leisure without any corresponding increase in weekly earnings. Therefore the operatives choose universal short time rather than the total unemployment of a section, and the maintenance of a high rate, despite the penalty of short time, in preference to the possibility of greater employment at a much reduced rate ; and to this the employers as a whole acquiesce, for if the advantage of lower rates is to be common to all it is, within limits, scarcely an advantage at all.

Turning now to those industries where wages are relatively low we find, in the first place, that technical conditions block the way to the practice of short time. In coal-mining, costs per ton mount more and more rapidly as the number of shifts worked per week decreases. Similarly in engineering and shipbuilding : overhead charges are so heavy that it is vital to seek the greatest possible output over which to spread them. In the iron and steel industry, furnaces must be kept in full work or else damped down, or, in the last resort, blown out. In all these industries the workers have not the option of a high rate and short time : the demand for labour falls, and with growing unemployment, wage reduction follows wage reduction, without any advantage to the employer, but simply as a result of the scramble for orders, and in the hope that demand will be so stimulated by reduced prices as to absorb the unemployed and yield some profit. The reduction of wages in the coal-mining industry was tremendous, and for many months there have been but few miners totally unemployed, and only a relatively small number of pits working short time. Their low rate of wages may have yielded higher earnings to the miners than prevail in those industries where short time reduces the yield of much higher rates. But in the engineering industry wage reductions have been quite as drastic, and in shipbuilding even more drastic ; yet there are still a very high proportion unemployed. The cause of the continued depression is not in the main that British labour is too dear relatively to foreign labour, but simply that the world is not prepared to build machinery and ships. Wages in the South Wales iron and steel industry are as

¹ The insurance figures relating to short time are, of course, no indication of the total amount of short time.

low as 23 per cent. above pre-war (though in other districts they are higher, particularly for unskilled labour), and in the South Wales tinsplate industry only 39 per cent., while there are nearly 15 per cent. of such workers unemployed, taking the country as a whole. In agriculture there is considerable local unemployment, while short time is prohibited by the low rate of wages relative to the amount obtainable from the Poor Law, and by the lack of sufficient organization on both sides.

These two groups of high and low-rated industries are fairly distinct, and correspond with a division between industries where wages are directly regulated by sliding scales, and industries where they are not ; but they do not correspond with a division between high and low weekly earnings, or with a division between home and exporting industries, owing to the practice of short time. Other industries cannot be so easily classified. In the cotton trade there is no cost of living sliding scale, but, unlike the group of low-rated industries, short time is, of course, a prevalent practice ; yet unemployment is as high as 22·4 per cent. Like the building trade, some sections are much better off than others (e.g., the Egyptian as compared to the American), and this, and the condition of the raw cotton market, have contributed to a compromise position where wage rates are moderately high (61 per cent. increase) and short time very prevalent, but not sufficiently restricted¹ to avoid much total unemployment as well. Again, wages in the pottery industry are roughly related to the cost of living index number ; but they only show a 50 per cent. increase, and even so there are over 10 per cent. unemployed. To all intents and purposes cotton wages might just as well have been related approximately to a sliding scale in place of pottery wages. Equally, wages in the printing trade could clearly have been brought under a sliding scale, since the level still stands at 107 to 117 per cent. above pre-war, and unemployment is only 6 per cent.

The conclusion is therefore irresistible, that it is state of trade and employment which regulates the general level of wages in all industries, and that as a principle determining wages, the cost of living does not directly operate in one industry more than in another. Clearly a sliding scale cannot be applied where the state of trade and employment renders impossible any approximation of rates to the increase in the cost of living. Given fulfilment of this necessary condition, it would seem that such scales have been adopted partly as a convenient means of adjusting real wages, and partly on principles of equity to the consumer, combined in some cases with the feeling that demand will infallibly be reduced below normal through a rise in real as distinct from money prices if a cost of living parity is exceeded.

Compared with previous periods of depression, the present condition of the wages structure shows only quantitative, not qualitative,

¹ In some sections short time is already in force up to the limit of reasonable probability.

differences. Wages in the railway service and in the civil and municipal services remained largely unaffected for the same reasons as they remain relatively high to-day. In those industries where recourse could be had to short time, that practice usually absorbed the decrease in the demand for labour, and rates were seldom changed appreciably. In the coal-mining and iron and steel industry before the war, wages could be reduced *pari passu* with the falling price of the product, and unemployment was never very marked. In engineering and shipbuilding, trade unionism was strong enough to hold up wages until there was a large amount of unemployment, but whether a reduction of rates could be thus avoided, depended entirely on the severity of the depression. The present depression has been so much more severe that the ordinary shock-absorbing methods have been insufficient in many industries, and rates have been drastically reduced. The differences in average earnings in different industries to-day are quite distinct from the differences in rates, and in pre-war depressions there were undoubtedly almost as great deviations in earnings compared to the normal ratios of rates, which then remained unaffected as the depressions were not so severe.

On balance, unless a redistribution of labour between different industries is required, there must be reasonable equality of earnings for the same type of labour in all industries. In industries where earnings were little affected by trade depressions, rates of wages were low relatively to industries where the earnings yielded by higher rates were exposed to constant, if more or less regular, fluctuations. If the present depression had already lifted, or is now about to lift, as might be expected with a normal cyclical fluctuation, rates of wages which are at present abnormally low would rise to their normal level relative to other industries, and equilibrium would be restored. But suppose the present depression to continue for an abnormal time, and that the differentiation between high-paid and low-paid industries assumes the guise of permanence. Once trained, a man changes his occupation with difficulty ; but new supplies of labour may be diverted to almost any industry, and will naturally tend to go to the higher paid. This will tend to cause a fall in those higher wages, while account must be taken of the fact that the longer a man is out of work the greater the inducement for him to change his occupation, and the presence of a large supply of potential labour will also therefore make it harder to maintain the high rates intact. If a complete recovery to production in the proportions ruling normally before the depression eventually takes place, a restoration of pre-depression labour distribution between industries will be necessary, and a double loss through this dislocation of equilibrium will result, while wages in the higher paid industries will remain reduced until this restoration is complete. It might be a wise policy for the present higher paid industries to consent voluntarily to wage reductions simply in order to prevent an influx of new workers.

Whether they should consent voluntarily to reductions out of regard for their fellow-workers in low-paid industries is another question, depending on the extent to which their high wages are directly responsible for the low wages in those other industries. Clearly, if one industry supplies the main source of demand for the products of another, neither can really flourish without the other. In other words, in so far as one industry creates demands on the other, it determines its state of trade, and if that demand is weak, the other's state of trade will be weak, and therefore high wages will not be possible. Conversely, if wages in one industry are very much higher than in another, the first industry cannot have a demand on the other so great as to determine to any extent its state of trade. The outstanding cases of relatively high earnings to-day are virtually confined to the railway service, the civil service, the employees of public authorities, to some extent clerical workers in banks, etc., and printers. The position of railways is peculiar, for it by no means follows that in a time of trade depression reduction in rates will produce the necessary compensating increase in the volume of traffic, and it may pay the railways better to have a small volume of traffic at relatively high rates : the contention that high railway wages depress wages in other industries is only valid in so far as the companies shrink from enforcing a reduction even though railway wages are higher than is warranted by the demand and supply of labour. In the other cases the supply and demand for labour warrant the higher wages. If all these wages were lower, other industries would, of course, benefit, but the factors which determine those higher wages are not different to the factors which cause low wages in the other industries ; there is nothing peculiar about them. The only inducement to the higher paid workers to consent to a reduction of wages is the possibility that better trade generally may mean still further advantage to them in the not too distant future, and the fear lest in time their present position may be undermined if the depression is prolonged. The present great variation in rates and earnings is undoubtedly a drawback in many respects, but one which is fundamental to the present system by which wages are determined.

If wages in all industries are determined by state of trade and employment, then it is clearly invalid to argue that low wages in one industry are caused by higher wages in another, since the first determines the demand for labour in the second. If the probability was that demand would be stimulated sufficiently to compensate for a reduction in rates, leaving wages untouched, then, for example, the railway companies would abandon their high rate despite small volume policy. Otherwise why should they do so, unless they voluntarily forgo profits, or unless the railwaymen voluntarily forgo their wages ? The appeal to the railwayman leaves him cold, because he doubts whether such a gift would be passed on to the workers in the low-paid industries ; and this depends not only, as it

were, on the integrity of the various employers concerned, but also on the stern economic fact as to whether in those other industries a reduction in the price of the product will eventually stimulate demand, for only in that way can the low-paid workers ultimately receive the benefit. The shareholders in railway companies might have similar doubts, even if they in turn were willing to forgo profits. The existing disparity in wages is strictly in accordance with the principles of the present wage system, and the higher paid workers cannot be accused of exploiting either the consumer or their fellow producers. If those principles are unjust, or undesirable, then the present method of determining wages must be modified.

Recent Literature on Pre-War Diplomacy¹

By L. G. ROBINSON, M.A.

SIEBERT'S massive collection of nearly 900 documents has been described by a great authority as "by far the most valuable contribution to our knowledge of European diplomacy in the last years of the peace." Published in German nearly three years ago, and translated and privately printed in America within a few months, it has yet had to wait two years for publication in England; for that publication we must be grateful, whatever the faults of editing that must be pointed out later.

As the documents have now stood three years of scrutiny, have been recognized on all hands as authentic, and are indeed being confirmed month by month by the searchers of the Russian archives, there is no need to recur to the vexed question of the manner of their first publication, save to remark that it is beyond doubt that many, at least, of them were known in the Wilhelmstrasse *before* the war.

They are with few exceptions communications between Russian Ambassadors and the Petrograd foreign office. This suggests an important consideration which must be constantly borne in mind—the value of the different sections must obviously be unequal. When we examine, for instance, the chapter headed "Sazonoff and the Balkan League," or indeed almost any document in Book II, "The Entente and the Balkans," we are dealing with dispatches which *made* history; but when we turn to such a chapter as "The Mission of Viscount Haldane," or "The Entente and Morocco," we are often dealing with only records and impressions of close observers. These are essentially of the same nature as the *Belgische Aktenstücke*, or the five volumes *Zur Europäischen Politik*, more valuable in that they are the work of representatives, not of a neutral, but of an allied Power whom the actual negotiators normally kept in close touch with the course of events, less valuable, perhaps, in that the Belgian representatives had their thoughts less disturbingly "fathered" by their wishes than was possible for a Russian ever watchful for signs of the progress of the Entente.

¹ *Entente Diplomacy and the World*. By Siebert and Schreiner. pp. xxxii+762. 3s. 6d. net. George Allen and Unwin Ltd. 1923.

Cambridge History of British Foreign Policy. Ed. by Sir A. W. Ward and G. P. Gooch. Vol. III, 1866-1919. pp. xx+664. 3s. 6d. net. Cambridge University Press. 1923.

Austrian Foreign Policy, 1908-18. By A. F. Pribram. pp. 128. 4s. 6d. net. George Allen and Unwin Ltd. 1923.

One must also bear in mind that the documents are obviously selected, and without much doubt selected with a purpose. This does not, of course, invalidate the documents published, but it makes one less sure in general deductions. One can only record the impression made by the collection as a whole, and wait for the publication of other documents, or of works based on their study, notably for the completion of the *Die Grosse Politik* series and of the transcripts from the Russian archives begun by the two volumes of the *Livre Noir*, and for the continuation of Professor Pribram's work in the Austrian archives. So far as these have gone the picture is not essentially altered.

What, then, is the impression left by this collection?

1. That Russia was an aggressive power and a disturber of the peace to a far greater degree than Germany or even Austria-Hungary. If she held her hand on the Indian frontier and was content with but half of Persia in order to retain the friendship of England, it was that she might use that friendship to secure along with Japan a free hand in the Far East, and to overcome the prejudice of generations against seeing her mistress of the Straits, with or without Constantinople. It is quite evident that with Russia untamed and well-allied, neither Austria nor Turkey were safe for a moment.

2. That Sir Edward Grey was a man of one idea. Having completed the Entente system, he based his whole policy and his own career on its maintenance *coute que coute*. Not for him was the Bismarckian readiness to combine and recombine to meet changing situations, nor the Italian method of sitting on the fence, or even making a show of it. One feels that all the Haldanes in the world would not have produced a real understanding with Germany while Grey held the reins.

What England gained by that policy is not obvious from the documents. What, to maintain that policy, she had to permit and assist France and Russia to gain, and at what a risk, is only too obvious. One would have thought that any neutral who could have read these documents in June, 1914, might have been very willing to wager that the result would be, as it so nearly was many times during these eight years, the drawing of England into a war by France or Russia with no obvious British interest involved.

It is painful to have to add that the documents go far to suggest that in the pursuit of his *idée fixe* Grey was willing to permit and condone things on any decent standard regrettable. Conscience seemed with him to be represented only by a "question in Parliament." If that could be avoided, or if the truth could be concealed by a "terminological exactitude," all was permitted. It is not that he was worse than Sazonoff, Aerenthal and the rest, but one had hoped that a man who permitted himself so often to talk idealism had been better, and he appears in these documents as little idealist as democratic. How far he was the latter may be suggested by one of many possible quotations. "If this question be not properly

handled it may bring about a discussion in the House of our foreign policy as a whole. *This would be regrettable and I am in the greatest anxiety*" (Grey to Buchanan, p. 130). Perhaps it was this view which caused him to feel and assert that his resignation would undoubtedly lead to a complete change in British policy (p. 132). If many other stories reached the United States, such as Morgan Shuster carried from Persia, it goes far to explain the slowness of that Power to join the Allies or to mix in European affairs after Versailles.

3. There is very much evidence to justify the German charges of "Einkreisungspolitik." Directly offensive the Entente was not; but while the Entente Powers—and "balancing" Italy under their ægis—stretched out their hands over one and another of the peoples who, however unconsciously, needed protection, every effort of the Central Powers to share the spoils or even to maintain the "Open Door" was smothered. At every crisis, however personal to Germany and one of the Entente Powers, the hands of the three are found linked; at every negotiation the notes and replies of those powers are concocted together, as Benckendorff boasts in February, 1912: "It is true that every time the German government strove to advance its interests in *regions in which other powers were interested* (!) it found itself face to face not with one power but with a group of powers" (p. 618). If there is one thing more than another which the documents reveal it is that the Entente, if not an alliance, was as compact as any alliance in history. Perhaps just because the formal bonds were so feeble, because the eye of suspicion was so alert, the actual community of intelligence, discussion and action between the Entente Powers was closer than in a Triple Alliance wherein the Germans, secure in formal written treaty, were apt to continue too long that Bismarckian policy of not grudging an extra dance with a third party to a presumably faithful wife.

These documents were becoming known in Berlin long before 1914, very possibly, therefore, at least their gist reached Vienna also. Enough is here revealed of Russian ambitions and Russian use of Balkan Slavdom to justify to some extent the action Austria took in 1914. Is it wonderful that Germany, confronted, as we see her in the documents, by this wall of Entente unity, and finding efforts at rapprochement with one or other of the Entente Powers brought to nothing by the agitated outcry of the other partners, should have stood by her one faithful and indispensable ally, even though she thought her wrong, or at least hasty—just as with less excuse England had stood by France when she was doubtfully right over Morocco, or by Russia when she was certainly wrong over Persia. On this point Siebert gives a very interesting report by Sazonoff written some twenty months before the outbreak of war. "Germany dreads being implicated in a European war as a consequence of her treaty obligations, and in case war in the Balkans should be inevitable she is ready to do anything to isolate such a war . . .

There exists some doubt as to the inclination of the Vienna Cabinet to listen to advice given it by its Northern ally, and the Germans therefore prefer not to put their influence to the test . . . Austria is not averse to accentuating her independence of Germany, profiting as she does by Germany being obliged to adhere to the alliance with Austria and being afraid of standing isolated among the powers." (p. 369).

Having said so much on the documents collected by Siebert we must turn to the less congenial task of criticizing the editorial work of Schreiner. He has very largely altered Siebert's original classification and arrangement and the result leaves something to be desired. For instance, Anglo-Russian relations in Persia were in reality inextricably intermixed with Anglo-German-Russian negotiations on the Bagdad railway and its extensions, yet they are here widely severed, while the original Anglo-Russian entente over Persia comes 400 pages after its outworkings have been studied. This is the result of the unsatisfactory main division into books. But even within these divisions no definite decision has been taken between the chronological, the geographical, and the topical bases of division into chapters ; there is also a tendency to make a rag-bag of the end of certain chapters (e.g. I, 5 ; II, 3, 5) without indication of the fact in the chapter headings. Moreover, no attempt is made to deal with the fairly numerous documents which deal with two or more distinct questions. All this makes the collection very difficult to handle for quick reference. A perfectly satisfactory solution is perhaps impossible, but much might have been done by a free use of cross references and of these there are none. Some attempt at a remedy is to be found in the index, which by an ingenious method gives the chronological order of all the documents and a classification by subject matter under ten general headings ; but these headings, besides being too few, have been chosen far more to illustrate the editors' thesis of the wickedness of the Entente than for purposes of general reference. This is certainly preferable to the method of the editor of the *Livre Noir* who provides no index at all, and has only a chronological arrangement, but it is doubtful how far it is superior to Siebert's system, and it is certainly very far from ideal.

A stronger criticism has to be made of Schreiner's introduction and notes. What we might have expected as we come to each subject is a résumé of the position in 1908 ; what we get is not uniform but tends to be no more than a résumé of some of the documents concerned and, where there is more, an exhibition of ignorance of diplomatic history outside the documents. There is, for instance, a detailed discussion of the Bosnian annexation with no mention of the preliminary Isvolsky-Aerenthal negotiations which were the kernel of the affair. The introductions are also noteworthy for their unbounded prejudice against the Entente. An exception to this general condemnation must be made of the really penetrating

analysis of certain aspects of the Eastern question (latter part of introduction to Book II) and the remarks on the nature of treaties in the introduction to the Index.

The numerous footnotes are even worse. Many of them are highly superfluous. Some show ignorance of history, and some even a plain misunderstanding of the text. One is tempted to compare them with the Kaiser's marginal notes on the German documents on war-origins. The notes are even more bitterly prejudiced than the introductions, and the same must be said of the italicizing of important passages. Others of quite equal importance are left in Roman type where they tell against the Central Powers. This attempt to bias the reader tends only to throw unmerited discredit on the text, or at least to discount beforehand the general impression made with quite sufficient force by the documents themselves.

We turn next to a volume covering at once a wider and a narrower field, the first volume of the *Cambridge History of British Foreign Policy*, covering 1866-1918. Siebert, in his original introduction, referred to the "*Entgiftung der internationalen Beziehungen*" as the great desideratum of the day. In a very different sense the "devenomizing" of *past* diplomacy has been achieved in this volume. It is most instructive to read some such episode as the treatment of Persia in the documents of Siebert and Marchand and then to see its treatment by Dr. Gooch—and he is certainly the least of a British apologist of any of the contributors to this volume. Here we move in a region of philosophic detachment and far-seeing statesmanship, in the documents we live in a world of fears and jealousies, of sordid bargainings and prevarications and too often of the shortest views. It is as though one were to spend a few hours on the floor of the Stock Exchange on a day of semi-panic and next morning see it again through the financial page of the *Times*.

In tone this volume hardly avoids self-consciousness as a semi-official British history. Not that it is all apologia, nor that every action of British statesman or diplomat is approved. Take, for instance, the "intelligence department." We have not only the famous incident of Hammond's assurance to Grenville, on the very day of the Hohenzollern candidature and less than three weeks before the 1870 war, that never in his long experience had he known so great a lull in foreign affairs, but we have also the proof that in 1866 only one British diplomat or statesman perceived before the Nikolsberg convention that the aim of Bismarck was to create a United Germany or considered how the new creation would affect the Balance of Power; and again we have Odo Russell's false estimates of Bismarck's attitude to colonization, and of the possibility of a German navy. Yet when one contrasts much of this work with the political idol-smashing of a Haller or a Hammann, one realizes how very thankful certain British statesmen should be that the soldiers won the war for them. Here there is never much doubt that Cromer is to be the authority on Egypt, not Freycinet or Blunt,

and on Morocco Tardieu rather than Morel. There is something of "whitewash" in the description of the Jameson Raid as "ill-considered" and in the account of the Matabele's experience of the South Africa Company.

One's first fears in opening any new volume of the now numerous Cambridge composite-authorship histories are, first, that the very fact of composite authorship may make impossible any real unity of tone and impression, and, secondly, that consciousness of bearing a hand in one of the standard reference histories will once more have brought with it the determination that for no detail shall the searcher look in vain, with the result that we have, as Mr. Belloc said somewhere of the *Cambridge Modern History*, "twelve volumes of inconceivable dimensions without one living character or one paragraph of exhilarating prose." The first of these fears proves to be less justified in the present volume than in its predecessors. Certainly not even the casual reader would imagine that Sir Valentine Chirol's views on Germany were those of Dr. Gooch, but one may nevertheless congratulate the editors on the unity of tone. As to the second fear, it also proves comparatively needless. There is a mass of detail, but while at times it obscures the larger outlines, it never makes the volume so impossible to read consecutively as are certain notorious concluding volumes of the *C.M.H.*, indeed the latter half at least of the book one finds rather hard to lay aside. Two criticisms of form must however be made. The detail does at times make the main lines of policy hard to distinguish. This is perhaps inevitable, but could not a remedy have been found either by a general introductory section to each chapter or by an introductory chapter to each book? This would also have helped to meet the other objection, namely, excessive subdivision of subject-matter which tends still further to obscure the main lines of policy. Such a method is valuable for one who wishes to refer quickly to the facts of "The Afghan" or "The Siamese Boundary Dispute," but without the insertion of more general chapters it is hard to get a clear impression of the tendencies in general policy of even our most prominent statesmen. One thinks of certain recent works on German foreign policy, less bulky and perhaps less authoritative, but filled with penetrating analysis of perennial problems from a more universal standpoint, and with the policies of each statesman and even of each generation clearly underlined and forming a framework for the detail. There are, of course, exceptions to this general criticism, as in the excellent four pages on Salisbury's characteristics and fairly numerous vignettes in the concluding chapter.

One must specially signalize this chapter of Mr. Algernon Cecil's on the Foreign Office, 1789-1918. It is a little masterpiece of curious learning and research lightly carried, neat style and delicate wit. One is ready to wish that the author had had a larger share in this work. Specially commendable, too, is the discussion of the English point of view in July and August, 1914. Taken together with the

clear account of the legal position on p. 15, this should do something to dispel the myth that our entry into the war had any vital concern with Belgium. After this it is disappointing to go on to the thirty pages in which Dr. Gooch tries to summarize events from 1914-18. This adds very little to what he has already told us, and is out of proportion and unnecessary to the rest of the work.

The index is well planned and efficient, the bibliography, except in the case of cc. 2 and 3, satisfactory and well up to date. One point is striking in this connection. Reference to Foreign Office dispatches ceases ominously at 1900 and thereafter an amazing proportion of the Bibliography is of non-British works. With German and Russian archives in course of full publication and Austrian archives open to historians, it is surely strange and not altogether reassuring that our own Foreign Office documents are still hidden from the view of such authoritative and discreet historians as these! When all is said in criticism the fact remains, of course, that we have here what will undoubtedly prove the standard work on the subject for many years, and it deserves such a destiny well. It is a far better history than any nation deserves which is content to see its best historians condemned to write its national history in such a vital period so largely from foreign and often ex-enemy sources.

Professor Pribram's manual of 130 small pages is a very minnow beside those Tritons. One's first impression is one of disappointment. From a knowledge of the masterly analysis which accompanied the author's edition of Austrian Secret Treaties and from the title of this book, one had hoped that here at last one would have a compact but fairly detailed account of the Austrian policy which led to the war, one which would have relieved the student of the effort of collating Molden with Hoijer, Mandl with Kanner. Actually the first twenty-four pages are taken up with introduction containing little that is new, the last sixty pages with an account of Austria-Hungary during the war, leaving only just over forty for the vital period 1908-14, and, of these, a dozen are occupied with events from Serajevo to the war. The result is that in the thirty small pages remaining, Professor Pribram has little scope for exhibiting his great knowledge of a very difficult and very important subject. He has purposely confined himself to the rôle of chronicler; there is to be no philosophy and no moralizing—incidentally, therefore, no large views. The result is encyclopædic in style and content. It is doubtless authoritative, though the limitations of space prevent even the mention of many of the details where authorities are conflicting and where the verdict of one who has had free access to the archives would have been invaluable, and not only does it prevent discussion of authorities, whether archival or secondary, but even any reference to them.

There are three features, however, which go far to relieve this disappointment. There is a delightful series of thumbnail sketches

of characters like the two Emperors, Aerenthal, Hotzendorf and Czernin—the four-page summary of the character and aims of the ill-fated Archduke Francis Ferdinand is by far the best we have come across. Then even in the limited scope there are some interesting revelations, e.g., one of Berchtold's memorandum (just before Serajevo) containing a plan for a new Balkan League to crush Serbia, and another of the details of the Italo-German naval convention of 1913 for the attainment of the naval supremacy of the Mediterranean. Thirdly, in the half of the book devoted to the war years, while some subjects, such as the successive Austrian peace offers, have been adequately enough treated by Dr. Gooch, others are probably unknown, at least in detail, to the English reader. We may specially mention the detailed negotiations with Rumania and Bulgaria, the quarrels between Germany and Austria over Poland once Austria had won it from Russia, and the peace negotiations between Austria and Soviet Russia, complicated as they were by the intervention of the Ukraine Republic.

But the first impression remains. We accept the book gratefully for what it is ; but yet regret that its publication may delay more vital work which it is in the author's power to give us. We have had from him a memorable survey of the inter-relations of Austria and her allies, but we have yet to learn in detail and from an unprejudiced pen what the archives have to say on her relations with other powers, and notably with the Balkan States. Perhaps the two recent monographs in *Historische Blätter* on Serbian relations in the 'eighties are evidence that the work is progressing. Till it is finished, small works of popularization might be left to lesser men. Yet, in conclusion, we may ask : what is of more importance at the moment than this popularization ? One is left wondering which is the more amazing, the extraordinary degree of agreement on pre-war diplomacy which has been already reached by historians of every European people, or the fact that even to-day, at least in England, one has only to move for a moment outside two rather narrow circles, the intelligentsia of the Capital and a few other centres, and certain political groups of the Left, to find oneself re-immersed in an atmosphere left almost unchanged since the " coloured books " and the journalistic Nietzsche-smiters of 1914.

Changes in Marriage Seasons

By DOROTHY S. THOMAS

MARRIAGES are not evenly distributed throughout the year. They tend to be concentrated in certain seasons, and, furthermore, to be concentrated in the *same* seasons year after year. This peculiarity of marriages has, of course, been noted before. Farr¹ called attention to the church festivals at Whitsuntide and Christmas, to the depressing influence of Lent, the geniality of spring, and the well-being and leisure of the agricultural labourer after the autumn harvests as being determining factors in the seasonal variation of marriages. Newsholme's² marriage calendar showed that the most favoured months for marriages were December, October, April and June, and that the fewest took place in May.

Quarterly statistics of marriages are available for England and Wales as far back as 1838. These figures show that, for a comparatively long period, from 1838-90, the seasons maintained the same relative positions each year. There is consistently a maximum number of marriages in the fourth quarter (October, November, and December), and consistently a minimum in the first quarter (January, February and March). The second and third quarters are midway between these extremes, with the second quarter somewhat ahead of the third. This tendency occurs with an amazing regularity, and is descriptive of the seasonal variation in the marriage rates for the first five decades for which we have reputable statistics. The great regularity in the earlier years indicates the probability of a similar tendency for an indeterminable period prior to 1838. Modifications in this distribution of marriages throughout the year occur during the 'eighties,—and assume a definite form by 1890. The period 1890-1900 may be considered to have a homogeneous seasonal variation, although it probably represents merely a transition between the seasonal variation which has persisted from 1838-90 and the definitely new seasonal variation of 1900-13. These changes in relationship are readily seen in the diagrams and in the table of indices³ of seasonal variation (Table I and Diagram II). Because of

¹ Farr, *Vital Statistics*, p. 76.

² Newsholme, *Vital Statistics*, p. 46.

³ The indices of seasonal variation are computed according to the method described in the *Review of Economic Statistics* (Harvard), Prel. Vol., No. 1, January, 1919, as follows: "Indices of seasonal variation are found by taking the medians of month-to-month percentages for each of the twelve months. The medians, thus found, are progressively multiplied to form a continuous series, the discrepancy due to secular trend is distributed, and the average is made equal to 100" (p. 37).

TABLE I.—MARRIAGES
*Quarterly Indices of Seasonal Variation*¹

		ENGLAND AND WALES			
		Q 1.	Q 2.	Q 3.	Q 4.
1855-72 ...	...	83.0	102.1	96.6	118.2
1873-90 ...	...	80.6	103.1	98.6	117.9
1891-1900 ...	...	72.7	109.0	106.1	112.2
1901-13 ...	...	69.8	110.5	112.0	108.6
<i>Group I</i>					
		Q 1.	Q 2.	Q 3.	Q 4.
1855-72 ...	...	79.2	93.0	90.0	137.2
1873-90 ...	...	78.5	94.4	90.9	135.7
1891-1900 ...	...	74.0	98.7	96.9	130.1
1901-13 ...	...	72.3	100.3	102.3	125.0
<i>Group II</i>					
		Q 1.	Q 2.	Q 3.	Q 4.
1855-72 ...	...	77.9	129.0	85.8	107.2
1873-90 ...	...	74.4	127.0	89.6	109.1
1891-1900 ...	...	70.2	125.5	95.4	108.9
1901-13 ...	...	69.0	124.2	100.4	106.2
<i>Group III</i>					
		Q 1.	Q 2.	Q 3.	Q 4.
1855-72 ...	...	81.5	102.9	107.4	108.3
1873-90 ...	...	77.8	102.0	107.8	112.2
1891-1900 ...	...	68.6	106.9	115.1	109.7
1901-13 ...	...	66.6	106.2	121.1	105.9
<i>Group IV</i>					
		Q 1.	Q 2.	Q 3.	Q 4.
1855-72 ...	...	81.1	99.2	96.8	122.8
1873-90 ...	...	78.5	102.2	98.1	121.3
1891-1900 ...	...	69.3	109.9	104.7	116.3
1901-13 ...	...	65.7	112.2	111.0	111.0

¹ The arithmetic average of the four quarters=100.

the difficulty of obtaining reliable statistics for the early part of the nineteenth century, the statistics from 1855 only are used. The period under consideration was divided, for purposes of comparison, at points which seemed to indicate some definite change in the relationship of the four quarters. For the first two of these periods, 1855-72 and 1873-90, the changes are relatively insignificant. The first quarter is progressively diminishing and the fourth quarter shows a similar tendency, but to a lesser degree. The second and third quarters maintain the same general relationship throughout ; but there is a tendency for the difference between them to diminish and for them to assume a relatively more important position. In the decade 1891-1900 all these tendencies are accentuated and intensified. The fourth quarter maintains its supremacy over the second by a narrow margin, and the third quarter does not lag far behind. The first quarter has diminished greatly. During the period 1901-13 the fourth quarter sinks to third place, and the third quarter has shot ahead of both the second and fourth and now occupies first place. The first quarter has diminished even more and has sunk into relative insignificance.

The question that immediately arises in regard to this change, which seems a sudden and dramatic thing, is whether some change has occurred in the habits of the people which would cause them to marry at a different time from the people of the preceding generations, or whether there has been a fundamental change in other factors determining the time of marriage.

What customs or circumstances might cause people to marry at one time of the year rather than another ? Bank holidays, religious festivals, and the fashionable " season " are all propitious times for marriage ; but there have been no new bank holidays or important church festivals created which could in any way account for the change in marriage seasons. The most fundamental changes have occurred in occupations ; in the movement of population towards the cities ; and in the increasing industrialization of the country. In so far as marriages are economically determined, the economic changes will explain changes in marriage habits. The close connection between marriages and general economic conditions has been fairly well established by a number of investigators.¹ High correlation has been found between the marriage rate and foreign trade, employment, wholesale prices, and a combined business barometer, both for the United States and England. It might be assumed, therefore, that the economic factor would be of importance also in determining the seasonal variation and in explaining the changes which have occurred in the marriage seasons.

One of the most important changes in the economic life of England

¹ R. H. Hooker, " On the Correlation of the Marriage Rate with Foreign Trade," *J.R.S.S.*, Vol. LXIV, p. 485. W. F. Ogburn and D. S. Thomas, " The Influence of the Business Cycle on Certain Social Conditions," *Quarterly Journal of the American Statistical Association*, September, 1922, etc.

during the past century has been its industrialization and consequent urbanization. In 1851, 50 per cent. of the total population lived in cities ; in 1911, 78 per cent. During the same period, the percentage of males 10 years of age and upwards engaged in agriculture decreased from 23·5 per cent. to 9·2 per cent. Table II shows these changes :

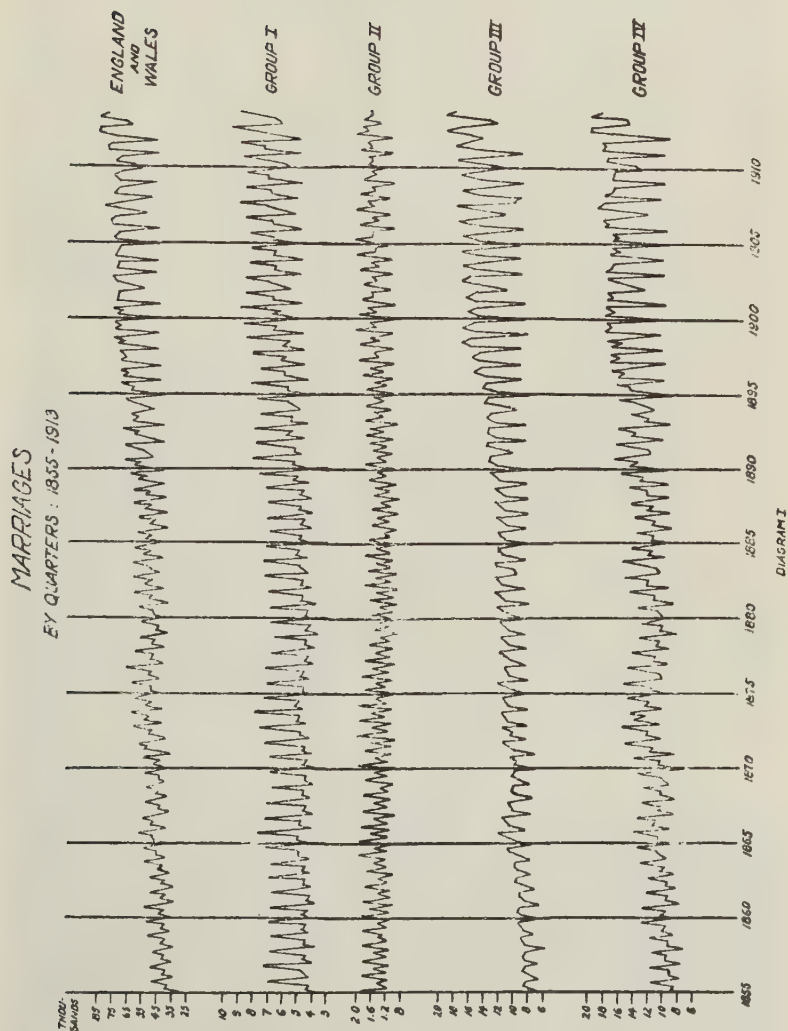
TABLE II
ENGLAND AND WALES

	Percentage of Population.		Proportion per cent. of total males 10 years and upwards in agriculture.
	Urban.	Rural.	
1851	50·2	49·8	23·5
1861	54·6	45·4	21·2
1871	61·8	38·2	16·8
1881	67·9	32·1	13·8
1891	72·0	28·0	11·6
1901	77·0	23·0	9·5
1911	78·1	21·9	9·2

When the agricultural element was relatively important, a large number of marriages would naturally occur at the time of the year when the agricultural labourer was well-off financially, and when he had a certain amount of leisure. This may be a determining factor in the earlier predominance of the fourth quarter, and the "rural depopulation" may likewise explain the subsequent loss of prestige by the fourth quarter. It is obvious, however, that no definite reason for the changes in marriage seasons can be wholly established by an examination only of the total figures for England and Wales. Totals frequently obscure interesting and significant details, although they may be valuable, as in this case, in pointing out general tendencies. We want to find out, however, whether the seasons have been the same for the different parts of England and Wales, and, if different, what local conditions might account for the peculiarities. The administrative counties of England and Wales were analysed to see to what degree their tendencies in seasonal variation conformed to the more general tendency. The quarterly marriages for each county were graphed separately for the period 1855-1913. The counties were then classified according to the form of the seasonal variation and were found to be not at all homogeneous, but to fall into several distinct groups.

The earlier type of seasonal movement in marriages for England and Wales has the fourth quarter as a marked maximum, with the first quarter a minimum, and the second generally higher than the third. This type is found in almost all the counties for the first twenty or thirty years, and in some of the counties this type persists for the whole period. Certain of these counties in which this type persists throughout have been plotted as Group I (see Diagram I). Here the fourth quarter is a marked and invariable maximum, and the gain of the second and third quarters towards the end of the

DIAGRAM I.



period is relatively slight. This group includes Norfolk, Suffolk, Cambridgeshire, Huntingdonshire, Kent, South Wales, and Cornwall. All these counties were predominantly agricultural throughout the period (except parts of South Wales), having over 20 per cent. of the total males 10 years of age and upward engaged in agriculture. This type may, therefore, be considered the "Normal Agricultural" marriage season. Certain other counties conform closely to this type, with slight variations. Hampshire, Wiltshire, and the East Riding of Yorkshire have the first quarter as a more distinct minimum throughout, with the second and third gaining rapidly on the fourth quarter maximum towards the end of the period. The North Riding of Yorkshire, Dorsetshire, and Devonshire are similar to these; but the second and fourth quarters tend to be nearly equal after 1900. North Wales has nearly equal maxima in the first and third quarters throughout the entire period. These variants of the normal agricultural occur in counties which were also predominantly agricultural during most of the period—Devonshire, Hampshire, and the North and East Ridings being somewhat less than 20 per cent. agricultural by 1911, however.

The second distinct type never has the fourth quarter as a maximum. This type is found only in three counties (Group II)—Lincolnshire, Herefordshire, and Shropshire. The second quarter is a marked maximum throughout. These counties are rural,—Shropshire and Herefordshire being pastoral, and Lincolnshire a potato-growing county. Variants of this group also occur. Northumberland, Durham, Leicestershire and Derbyshire, all coal-mining counties, tend towards this type. In the earlier years, the second and fourth quarters are nearly equal maxima, but by the end of the period the second has become a definite maximum. Somersetshire, Rutlandshire, Cumberland and Westmorland have the normal agricultural type of season in the beginning; but, towards the end, the second quarter is frequently a maximum. Thus it is evident that a maximum in the spring is associated with a variety of special circumstances.

Group III, the third seasonal type, has a marked third quarter maximum at the end; but this usually replaces a fourth quarter maximum in the earlier period. This group includes London, Surrey, Middlesex and Cheshire. In London and Cheshire the third quarter does not develop as a definite maximum until 1890; in Surrey, it develops earlier, but is less intense. Middlesex has a predominant third quarter throughout the period. Lancashire approximates to this type quite closely, but evolves rather more directly from the normal agricultural than do the others. We have called this third quarter predominant the "Normal Urban" type of marriage season. Certain other counties which approach the normal urban from the normal agricultural and have the third quarter slightly predominant at the end of the period are Essex, Hertfordshire, Bedfordshire, Oxfordshire, and Sussex.

The remainder of the counties reflect the tendency observed for the whole of England and Wales. They constitute Group IV. In the earlier years they have the normal agricultural seasons and pass in about 1890 to a type which has no definite maximum, but a first quarter minimum. The second, third, and fourth quarters tend to be very close and interchange as maxima. The counties included in this group are Nottinghamshire, the West Riding of Yorkshire, Monmouthshire, Staffordshire, Warwickshire, Northamptonshire, Worcestershire, Buckinghamshire, Berkshire, and Gloucestershire.

Turning now to the question whether the changes in marriage seasons are due to changes in the habits of the people or to changes in the other influences affecting marriages, such as change of occupations, industrialization, etc., the answer obviously is that both are influential. The connection between economic conditions and the number of marriages at any time is quite close, and it is evident that marriage seasons are largely determined by the prevailing economic influences. In agricultural counties, the maximum number of marriages occurs in the autumn—which is the time of greatest leisure and well-being among agricultural labourers. In those counties where the maximum occurs in the spring, there seems to be a closer connection between marriages and money than between marriages and leisure. For the spring is a busy season for pastoral people, but, likewise, their earnings are larger then than at any other time of the year. The second quarter maximum is also associated with certain coal-mining counties—where the miners are busiest and earn most during the winter and early spring months. That there is a certain degree of persistence of habit in spite of economic changes is seen in the cases of Lancashire and London, which were certainly never agricultural during this period, and yet showed a tendency towards the normal agricultural season, particularly the fourth quarter maximum, in the earlier decades. Buckinghamshire, Oxfordshire, Berkshire and Essex, which changed to the urban seasons in spite of being agricultural counties, may also represent change of habit rather than of economic conditions, due to their proximity to London.

In urban counties the first quarter minimum may be partly explained by the large amount of seasonal unemployment in the winter months (although, in general, seasonal unemployment tends to be compensatory). Summer is definitely the "holiday time" for urban population—hence, probably, the lessening importance of the autumn months, and the increase of marriages in the summer months.

It seems conclusive that economic considerations play a large part, not only in determining the total number of marriages which occur in any year, but also in determining at what time of the year these marriages will tend to occur. In predominantly agricultural regions, people tend to marry after the harvests are gathered in, the

MARRIAGES

INDICES OF SEASONAL VARIATION

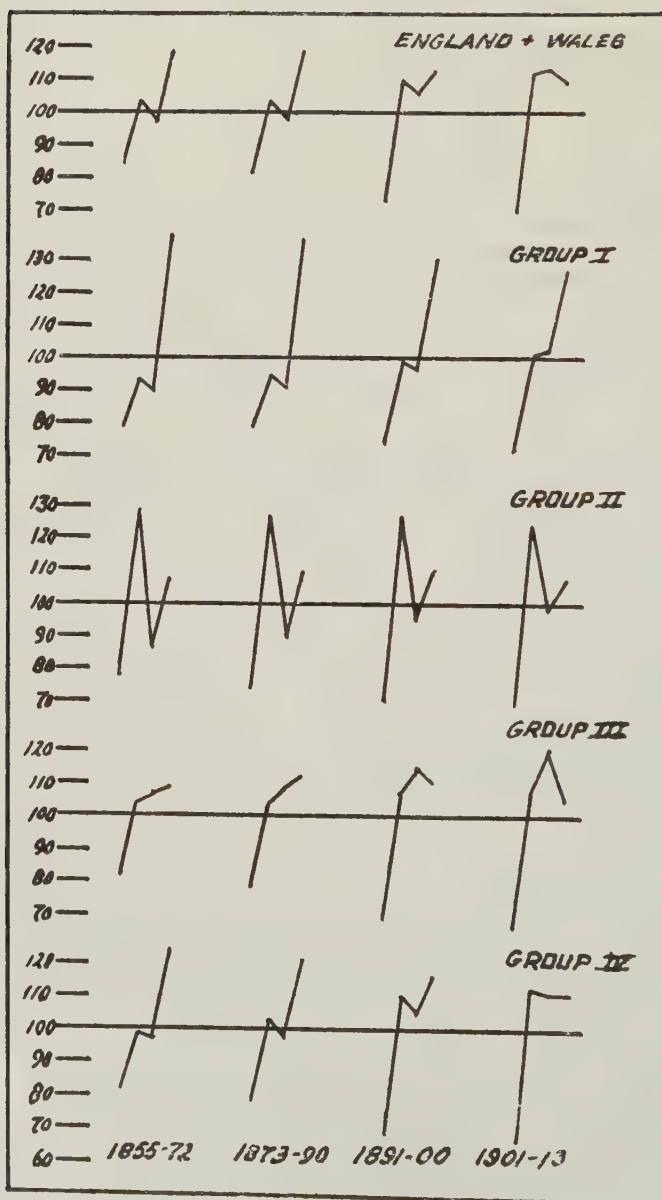


DIAGRAM II

time when they have most leisure and are most prosperous. With the diminishing importance of agriculture, other considerations enter, and the fourth quarter loses its place of importance. This must, of course, be regarded as a long time tendency, and careful examination of the seasonal indices, Diagram II, shows the development of this tendency throughout the whole period, culminating in about 1890, and giving a new distribution of marriages from that time onwards.

There is also seasonal variation in the births. It may be assumed that this variation is in part dependent on the variations in the marriage rates. There may, of course, be other reasons for the fluctuations, but births resulting from conceptions shortly after marriage would probably be numerous enough to cause the birth-rate to reflect the variations in the marriage rate. That this occurs, to some degree, is evident from the diagram of the indices of seasonal variation.¹ In general, the births in the first quarter correspond to

BIRTHS

INDICES OF SEASONAL VARIATION

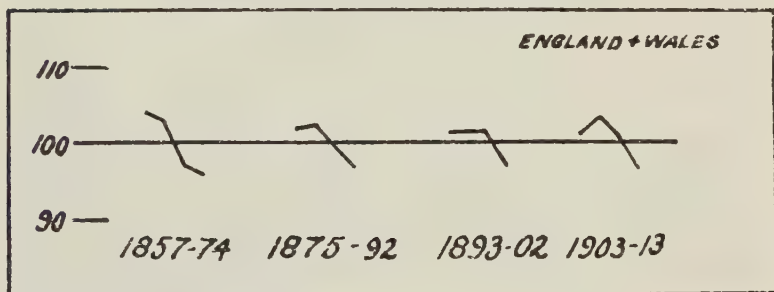


DIAGRAM III

conceptions in the second and third quarters ; births in the second quarter to conceptions in the third and fourth ; births in the third quarter to conceptions in the fourth and first ; and births in the fourth quarter to conceptions in the first and second quarters. Therefore, there are definite limitations to the use of quarterly data for such comparisons, and the comparisons can, under these circumstances, be only approximate.

Births in the earlier periods reach a maximum number in the first and second quarters and a minimum in the third and fourth quarters, corresponding to what has occurred in the marriage rates, since the births in the maximum period would have resulted from conceptions in the second, third and fourth quarters, which are likewise the

¹ Births are taken for periods corresponding to the marriage rates by assuming a lag of two years in the birth-rates.

maximum marriage quarters. Similarly, births in the minimum period resulted from conceptions in the first, second and fourth quarters. The first quarter was the minimum marriage quarter. The changes which have occurred in the seasonal variation of the marriages seem also to be reflected in changes in the seasonal variation of the births. Thus, the effect of the tendency of the marriages in the first quarter to become progressively less numerous seems to cause the fourth quarter in the births to become the definite minimum. Likewise, the tendency of the first, second and third quarters in the births to become less differentiated seems to reflect a tendency in the marriages for the corresponding second, third, and fourth quarters to attain a common level. The correspondence seems to be closer in the later periods than in the earlier. Births tend to be more evenly distributed throughout the year, and the degree of seasonal variation is less pronounced than for the marriages, as shown by the graph and the seasonal indices (Diagram III and Table III).

TABLE III.—BIRTHS

Quarterly Indices of Seasonal Variation

ENGLAND AND WALES

		Q 1.	Q 2.	Q 3.	Q 4.
1857-74 ...	...	103·9	103·0	96·7	96·4
1875-92 ...	...	101·9	102·2	98·6	97·2
1893-1902	...	101·1	101·3	101·0	96·6
1903-13 ...	...	100·9	102·9	100·6	95·6

Book Reviews

Essays in Applied Economics. By Professor A. C. PIGOU. P. S. King & Son. 1923. pp. 198. 10s. 6d.

"General considerations" applied to special and technical problems may prove illuminating or may verge on platitude. Professor Pigou's latest book, consisting of a series of essays (mostly republished from periodicals) on a wide variety of subjects, illustrates both these possibilities. It is not easy to review as a whole, but a large part of it will repay careful reading. Like the lectures of a certain Cambridge teacher, as described to me by himself, these essays become "purer and purer as they go on." The last two, dealing with the Foreign Exchanges and the Exchange Value of Legal Tender Money, are almost wholly pure and will, I think, be found by the student to be the most difficult and the most stimulating of the series. Both contain new modes of statement and new refinements of general principles, in the course of which Professors Cannan and Cassel and Mr. Keynes all come in for criticism.

The essay on the Real Ratio of International Interchange (which might, I think, be more simply called the Real Rate of Foreign Exchange) is useful in disposing of two popular fallacies, first, that an "adverse" movement of its real exchanges is necessarily harmful to any country and, second, that for the United States "at once to claim payment of the debts due to her from Europe and to erect a high tariff wall is, from her point of view, a futile proceeding: it is to ask for payment in one breath and to decline to receive it in the next." In fact, as Professor Pigou points out, the United States, under present conditions, has the power to make "the foreigner, besides paying his debts to her . . . contribute substantially towards her tax revenue."

Of the other essays I would commend two in particular to the reader's attention, that on the Report of the Royal Commission on the Income Tax, which stands out as a compact and reasoned narrative, and that on the Housing Problem, which contains qualified approval of a housing subsidy from public funds, and is a good example of the occasional utility of "reviewing a special subject in the light of things in general." But he will find many other points of interest also, including a digression on landlords, hints on the private use of money and some wholesome references to ethical first principles.

HUGH DALTON.

The Problem of Armaments. By A. G. ENOCK. Macmillan & Co. 1923. pp. xii. + 199. 6s.

War: its Nature, Cause and Cure. By G. LOWES DICKINSON. George Allen and Unwin. 1923. pp. 155.

We have strangely little serious and systematic recent writing on

the prevention of war and, as a special phase of this, on disarmament. Temporary Mixed Commissions fail to get across the foot-lights. There is a passage in D. H. Lawrence's *Kangaroo* which applies not only to Australia. "If they've got one belief, now that the war's safely over, it's a dull, rock-bottom belief in obstinately not caring. It seems to me they think it manly, the only manliness, not to care, not to think, not to attend to life at all, but just to tramp blankly on from moment to moment, and over the edge of death without caring a straw. The final manliness." "I am not too hopeful," says Mr. Lowes Dickinson, "of the kind of demonstration given in this book, because I know how people will listen to an argument, admit it, shrug their shoulders and resume their avocations as before." Perhaps this mood of indifference will change; perhaps a large part of public opinion is only waiting for a sign, and for a lead worth following. If not, the outlook for the young is black.

These two little books are welcome instalments of a larger discussion. Mr. Enock is a business man, full of good will. He has taken much trouble, with results sometimes disproportionately small, as in his careful comparative statistics of post-war expenditure on armaments, compiled on the basis of pre-war rates of international exchange. It is open to question how far it is worth while to seek disarmament, without first finding a solution of other international discords. But Mr. Enock is certainly right in emphasizing fear as "the principal origin of a national policy which, later, becomes translated into terms of fighting material." It is much less terrifying, and much safer, to be unarmed in an unarmed society, than to be armed to the teeth in the midst of armed neighbours. It is safer to live in England than in Albania, in Ireland to-day than in Ireland two years ago. So far we travel easily, in thought if not in international practice. But it is necessary for those who perceive these simple truths to build a bridge stout enough to carry the world's politicians. Mr. Enock's bridge does not look very secure. His chief practical proposal is the licensing, "by an international body like the League of Nations . . . of the production of war material, and its import and export" (p. 106). But, apart from other obvious difficulties which he does not discuss, "war material," as he fully recognizes elsewhere, is a wide conception. "The chemical resources of any great country are the life-blood of some of its greatest industries, and to deprive them of that life-blood is something which no disarmament scheme would dare to tackle with any hope of success. Is it not a matter for action by the great chemical trades, and would it not pay us all to establish some kind of balance between the organic chemical producing facilities of the chief countries concerned?" (p. 80). It is not very clear how this is to be done. And what about bacteriology? And commercial aircraft? And engineering works, capable of conversion at short notice from peaceful to warlike purposes? It is hardly worth while to consider disarmament without reference to these things.

Mr. Lowes Dickinson has written a book of a different kind, designed to make men, and especially ex-service men, think about war and feel uncomfortable. He is a master of simple and persuasive prose and of the Socratic method. Many of those, who will not read him, would, if they did, wish to give him hemlock. He notes (apparently in 1922) that "the boys now crowding from school into our universities know so little about what was going on but four years ago, that they are only sorry they could not take part in it, and hopeful of better luck next time." I, too, noted that phenomenon, but I think it is a false glamour that has passed already, mixed with a not ignoble sense of comradeship with friends and elder brothers. Yet the burden of emotional and mental lethargy towards war remains, heavier than lead.

"My theme," says Mr. Dickinson, "may be put in a sentence. If mankind does not end war, war will end mankind. This has not been true in the past, but it is true in the present. For the present has produced something new. It has produced science. And if science is the principal hope of mankind, it is also the principal menace." Later he asserts, and it is difficult to deny it, that "the real cause of war in the modern world, and whenever, in history, there have existed independent states armed against one another, is, first, the desire of all states to hold what they have and to take what belongs to others; next, the armaments produced by that situation, which armaments then become themselves a further cause of war. Given that position, you may say, without exaggeration, that war is inevitable. There remains only the manœuvring for position." He gives a brief but luminous sketch of diplomatic history before, during and after the last war, and thereby whets the appetite of those of us who are awaiting the publication in full of his researches into these tangled events. It is not, as he says, "difficult in general terms to point to the remedy" for the present state of things—a stronger and more comprehensive League of Nations, "the open door" in colonial dependencies and so forth—an oft-told tale. The difficulty is to persuade the ordinary elector to realize the need for these remedies and to overbear the strong, but not invincible, interests which oppose them. This is, and will remain, the root of the matter. But Mr. Dickinson, though he puts very forcibly the general case for disarmament, says nothing in detail about plans for its accomplishment. Here, I think, is the gap which it is most urgent to fill in our existing literature on international affairs. We need a large treatise on the principles and methods of disarmament, and we need also a small popular book on the same subject. For, if I mistake not, in the slow ripening of time we have almost reached another critical hour in which, as in 1919, our choice will lie between a concerted, far-reaching movement away from war and a further "inevitable" slide towards new horrors hardly imaginable.

HUGH DALTON.

A Critique of Economics. By Professor O. FRED BOUCKE. New York: The Macmillan Company. pp. 305. 9s. net.

It is to be regretted that Professor Boucke has not taken more to heart the suggestion made by a reviewer in this journal of his earlier work, *The Development of Economics*, that a more frugal use of "isms," particularly newly coined "isms," would add considerably to the clarity of his exposition. A reader of the present volume, if he has not met Professor Boucke before, will assuredly feel that his own vocabulary is minute, but he may not be stimulated to extend it! Professor Boucke's object is to examine whether, in the light of modern developments in philosophy and science, particularly in psychology, economics may claim to be a science, and "what changes seem necessary to bring it into harmony with current facts and concepts in allied fields." He first subjects many fundamental economic principles to a searching criticism along these lines, and concludes that any quantitative theory of valuation rests on a discarded psychology, that the idea of margins in relation to price is merely a "device for dialectics, a fiction convenient for debaters," and in relation to distribution equally useless, while in relation to production the whole theory has proved delusive. The so-called orthodox economist will wonder whether there is anything left of his faith! Undoubtedly the marginal conception has been elaborated by some economists till it seems but remotely connected with reality, and often without due regard to its limitations. But as a broad fundamental theory, it may surely claim to be judged by the simple question, "Does it fit its facts?" and not by any inquiry as to its supposed philosophical, psychological, physiological, and other foundations and premises. All the while one feels that Professor Boucke is searching in the world of the intellect, and straining after logical conceptions far more than the "marginist" has yet strained the world of facts or his relations with modern development in other sciences. And this, quite apart from a critical examination of Professor Boucke's psychological and philosophical creed, which can hardly be accomplished here.

But at the end of the book, where he deals with the methodology of economics, and especially in the last chapter on "Lines of Reconstruction," one finds much food for thought, even if one cannot accept all the arguments from which Professor Boucke draws his conclusions. Thus it is certainly of vital importance for the economist to make more adequate use of the new science of statistics as a means to a more dynamic standpoint, and not to shrink from systematic study of all facts bearing upon "relations of weal and wealth." "In place of an abstract science of economics there will reign a political economy anchored largely in laws of cosmic force. . . . Thus economics may yield important results, effecting by its usefulness to statesmen what it lacks in the universality of its truths or pretensions." This may be Professor Boucke's conclusion, but others may prefer to work for this most desirable end from the

basis of propositions which still appear reasonably sound from the standpoint of observation, despite the possible falsity of the psychological and other "premises" to which he attributes them.

J. W. F. ROWE.

The Control of Industry. By D. H. ROBERTSON. Cambridge Economic Handbooks. Nisbet. 1923. pp. x. + 169. 5s.

Like other works in this series, Mr. Robertson's *Control of Industry* has a double character. It is written for two classes of readers, and must therefore be judged by mixed standards. In the first place, it is one of a series which aims at inculcating in the mind of the "ordinary reader," and "the uninitiated student some conception of the general principles of thought which economists now apply to economic problems." That is to say, it must be judged as an economic primer supplementary to Mr. Henderson's *Supply and Demand*, and the other writings of the Cambridge New Testament. For this purpose it is admirable. Perhaps some may object that thirty shillings, the price of the whole Cambridge series, is a lot to pay for an elementary exposition of economic principles. But that does not concern Mr. Robertson. To the "uninitiated student," who has little idea of the working of the economic system and, in particular, knows little of the significance of that group of persons darkly called "big business" or "financial interests," *The Control of Industry* must be an easy and delightful enlightenment. Mr. Robertson's aim is to explain the organization of industry in 170 small pages, and considering the ground he has to cover, he has done amazingly well.

But there is another side to the picture. Mr. Robertson has not called his work *The Organization of Industry*, but *The Control of Industry*, and he boldly states in his first chapter that his book is intended to throw light on how, if at all, we can ensure "that the men and women engaged in industry shall not become mere instruments of production or mere passive receptacles of its fruits, but shall retain in their relation to the economic circumstances of their life, the character of self-directing human beings." Here is a claim that this book shall be not only an exposition, but a contribution to knowledge. Here is a lure which would entice even the most jaded reader of economic textbooks to risk the attempt once more. And what does he find? He cheerfully follows Mr. Robertson through the necessary chapters on the underlying principles of modern industry, through division of labour, combinations, and the organization of marketing, for he remembers that this is, after all, also an explanatory book. Even in the chapter on the capitalization of industry, he is not yet disappointed. He learns that, through the advent of such institutions as the Joint Stock Company and the Stock Exchange, it is by no means necessary that the persons directly controlling industry should provide the greater part of the resources engaged in it, and he may begin to be seriously perturbed at the unpleasant possibilities which are revealed to him by Mr. Robertson and

by his own memories of recent debenture issues in the newspaper world.

Then suddenly Mr. Robertson makes a discovery, so exciting to himself that he seems entirely to forget his original aim. He finds that there is a Golden Rule in Capitalism, that "where the risk lies, there the control lies also," and proceeds to show the reader how beautifully this works out and what evils result from lack of its observance. But the difficulty is to define risk. Mr. Robertson himself does not seem altogether happy about this. Risk to him is apparently risk of business loss of the kind that ends in bankruptcy or liquidation. He also sees that "workers" run risks which cannot be evaluated in this way. But he easily convinces himself that, with the possible exception of loss due to trade fluctuations, any transference of control from "organizers" (not necessarily owners) to workers would be an infringement of the Golden Rule and, therefore, generally bad.

But even accepting the Golden Rule, it is not clear that it is so closely observed at present as Mr. Robertson appears to believe. The extent of joint stock organization of industry and with it the possibility of "majority" control of policy and the tendency to raise more and more money by means of debentures makes the *risk* borne by the controller ever less and less. And if one defines "risk" more widely, it is clearly by no means associated with control, so that, even on the author's own ground, a change would probably do less harm than he fears.

But by this time even Mr. Robertson's persuasive manner cannot blind the Jaded Reader to the fact that he is being stealthily led ever farther and farther away from his original goal. Even if a certain amount of productive efficiency will be sacrificed by a change, he wants to know what is the balance of good to be set against it. He is still left wondering whether there is not even such a thing as "risk" from the point of view of society, whether since the productive resources of the world are limited, society should not also, on Mr. Robertson's theory, take a more direct part in control. But on these points Mr. Robertson is silent. Can it be that the Golden Rule is only silver-gilt?

E. M. BURNS.

Philosophy and Political Economy. By Dr. JAMES BONAR, M.A., LL.D. Third edition. 1922. London: George Allen and Unwin. pp. xvii. + 424.

History of Economic Thought. By LEWIS H. HANEY, Ph.D. Revised edition. 1922. New York: The Macmillan Company. pp. xix. + 677.

It is a pleasing comment upon contemporary interest in the history of the evolution of economic theories that new editions of both these well-known works should have been called for. Dr. Bonar's book was one of the first, and still remains the best complete study of the inter-relations of economic and philosophical

theories. With the appearance of a third edition it would be both impertinent and late in the day to praise Dr. Bonar's work. We can only thank him for giving students of economics, in this intensely interesting book, a much needed background and perspective.

The new edition contains, besides various new notes and references, an additional chapter in which the author continues the kind of analysis which appears in the chapter on Evolution. He examines the changes which have taken place in our institutions and in our methods of thinking since 1893, in order to discover their reactions upon economic theory and the validity of economic assumptions. He concludes that the spirit of self-interest is still strong enough to serve as a guiding principle. "There is no proof that the industry of the new age can depend upon public spirit alone," and "unhappily the desire of gain shows no signs of vanishing from human nature." But he points out that the strength of this impulse itself depends upon the institutions of the time, e.g., upon family responsibility. The new chapter certainly suggests the need for a more thorough examination of the basic assumptions of modern economic science in the light, not only of new institutions, but of the recent growth of psychological knowledge.

Dr. Bonar is always stimulating. Probably the greatest fault in Dr. Haney's work is the lack of this quality. In the new edition he has enlarged the sections dealing with more modern economic thought and has endeavoured to show in greater detail the relations of philosophy to economics, especially in his chapters on the Physiocrats, the later Socialists, and the Austrian School. But it is difficult to accede to his request to read *The History of Economic Thought* as a book and not as an encyclopædia. Although very readable, Dr. Haney does not suggest new thoughts. He seems so complete that there is a risk that he will be taken as the "final word" and no attempt be made to go beyond him. It is for this reason that he is so dangerously attractive to undergraduate students.

But he has performed a very useful service in making available, within reasonable compass, so full an account of various economists, and the reader who desires to discover who a particular writer was, and how he was related to other schools of thought, will find no better book for his purpose than *The History of Economic Thought*. But this is reading the book as an encyclopædia!

E. M. BURNS.

Financial History of Czecho-Slovakia during the First Year of its History. By Dr. ALOIS RASHIN. (Oxford University Press and Humphrey Milford. 1923. pp. xvi.+160. 7s. 6d.)

This book belongs to the series on the Economic and Social History of the World War, published by the Carnegie Endowment for International Peace. The affairs of the Succession States have hitherto had very little share in this series, and it is to be hoped that this volume will soon be followed by others in the same field. But its

title is misleading, for the events described cover the period 1919-22.

Dr. Rashin, the late Finance Minister of Czecho-Slovakia, was assassinated in 1922. "An austere and disinterested minister," Mr. Keynes calls him in his latest book, and adds the judgment that "the stamping of the Austrian notes and the levy on holders of titles to money which accompanied it was the only drastic, courageous and successful measure of finance carried through anywhere in Europe at that epoch." By his vigorous policy Dr. Rashin stamped out in his own country the disease of inflation, which has since devastated most of Europe. He went on to prove that deflation, by restriction of currency, is a perfectly feasible operation. Economists must be grateful to him for this practical demonstration that no invisible hand compels Governments to print paper money against their will. This simple truth would have seemed obvious, had it not been so often implicitly denied. Whether, on balance, the raising of the value of the Czech crown by two hundred per cent. within twelve months benefited that country is another question, on which high authorities differ. But certainly it did not bring ruin. Nor did Dr. Rashin's capital levy and his levy on war fortunes, which provided the financial basis for deflation. I doubt, however, whether Czech experience throws much light on the English capital levy controversy.

Dr. Rashin had a firmer grasp of general principles than is generally vouchsafed to Finance Ministers, and his style, even in the English translation, is clear and unadorned. The first two sections of his book give an excellent account of the problems of currency and finance in the early years of Czecho-Slovakia, of the various solutions proposed and of the detailed policy actually adopted. The third section deals similarly with "economic measures," a title which covers "the nationalisation of joint stock companies," the stock exchange, the housing problem, and "the transition from state control to freedom of trade and competition."

He had no lack of courage and always preferred drastic policies to half-measures. He wished to bring about an even more rapid deflation than actually took place, and to withdraw from circulation 80 per cent. of the Austrian notes handed in for stamping in 1919. But "this plan for a radical cure of inflation could not be carried through. In the National Assembly there were apprehensions that a serious crisis would arise, if the purchasing power of the crown at home and its exchange quotation abroad were suddenly raised. Personally I was well aware that this method of cure would provoke a crisis, but I preferred this solution to the continuous feverish condition which inflation and confusion in the money standard entail. It seemed to me that a chronic illness was more dangerous to the development of a young State than a radical operation." As a result of the compromise policy which was adopted, the Czech crown fluctuated very closely with the German mark from March, 1919, till January, 1921, and fell with it (in terms of Swiss francs),

but from this point till August, 1922, when Dr. Rashin's story ends, it moved independently and rose, while the mark continued to fall.

At the time of the Armistice, Dr. Rashin advocated the setting up of an International Commission "to control the German Imperial and the Austro-Hungarian Banks, in order to put a stop to inflation." Subsequent events exhibit the wisdom of this proposal.

HUGH DALTON.

Wages in the Coal Industry. By J. W. F. ROWE. P. S. King & Son. 1923. pp. viii.+174. 10s. 6d.

This book, written under the joint inspiration of Professor Bowley and Mr. Tawney, is a good and valuable piece of work. The author is well aware of the gaps in the available statistics, especially before the investigations of the Sankey Commission, but he makes the most of what there is. He gives an excellent summary of the peculiarities of different coalfields, deals clearly with the intricacies of wage-fixing and with the pitfalls which may trap the unwary student of these matters, and traces the movements of wages and working hours from 1888 to 1921.

The amazingly low degree of capitalisation of the coal industry is well brought out. The capital invested in this industry in 1913 was actually less than the annual (pithead) value of the product, and amounted to less than £120 per person employed. The capital invested in British railways was nearly ten times greater, though the annual value of the product was much about the same. Closely connected with this state of affairs is the slow growth in the use of coal-cutting machines, largely due to "the apparent aversion of many old-fashioned managers," as well as "of many of the workmen themselves to a new method of coal-getting."

No one can doubt that there is very great scope and imperative need for an all-round improvement in the efficiency of the British coal industry. Mr. Rowe treads delicately on controversial ground and avoids any lengthy discussion of nationalisation. But he shows considerable sympathy with the miners' demand for standardisation of wages, or at least for less inequality as between different coalfields. He seems to admit, what is certainly true, that the economics of the "wages pool" have not yet been fully explored; but he does not explore them. His comments on the wages settlement of 1921 are cautious, though he thinks that it removed "the old division of interests as regards output between employers and men," and that, under it, "the miner has a continual interest, equally with his employer, in reducing the costs of production other than wages."

His detailed discussion of wage variations suggests with unusual force a large and not unfamiliar conclusion. The general theory of wages, as commonly expounded, is no more than a very rough first approximation to truth. One of the most important of the problems

which still baffle modern economists is to make a closer approximation. What is required is not a mere lumber of historical and descriptive detail, but a new body of generalisations, more refined and more highly qualified than the old, and consistent with observed facts. I hope that Mr. Rowe will try his hand at this difficult game.

When this book runs into a second edition, he should add a map to illustrate the geography of the coalfields, and should break his story up into a larger number of chapters rather than into sections of a few long chapters. He should also persuade his publishers to cut the price. For in this case they have certainly underestimated the elasticity of the public demand.

HUGH DALTON.

Representative Government and a Parliament of Industry: a Study of the German Federal Economic Council. By HERMAN FINER.
Published by the Fabian Society and George Allen and Unwin.

Dr. Finer is to be congratulated on having produced under this title a volume which is not only a scholarly piece of research, but a work of more immediate practical value and interest than it is the fate of most works of research to be. From the first of these points of view he has demonstrated—what students of political history and institutions are apt to forget—that it is not necessary to go to the Middle Ages to find new material, and that in the field of comparative legislation and administration there lies abundant matter with which we in Great Britain are less familiar than we ought to be, in spite of the excellent work being done by one or two bodies such as the Society of Comparative Legislation.

Dr. Finer's study of the available documentary material throwing light upon the German Federal Economic Council appears to have been most exhaustive, and is the more valuable because much of the material is in itself of an ephemeral character. This study he has supplemented by two visits to Germany which have enabled him to discuss the formation and operation of the Economic Council with some of those persons primarily connected with it, and thus to render intelligible a series of events which, even to so close a student of German political institutions as Dr. Finer, would otherwise have been extremely difficult to follow and understand. Dr. Finer's obvious saturation in his materials seems to explain the only adverse criticism which we venture to make on his work, namely, that his style has suffered thereby and that the construction of some of his sentences occasionally strikes the eye of the English reader as unfamiliar.

To pass to the nature of the institution described by him: the German Federal Economic Council is one of the first experiments in Vocational Representation of which so much has been written here and elsewhere in recent years. To say that in that Council—in its present provisional form or even in the final form to which it may attain—the pure doctrine of Vocational Representation will receive a fair trial would probably be wrong; for the Council is admittedly a

compromise—a compromise between Sovietism and Republican Parliamentaryism. The origin of the idea embodied in the German Federal Economic Council is to be found in Bolshevism, *socialismus asiaticus*, and it represents all that is left of that movement when the tide of revolution in November, 1918, had receded and the Weimar Constitution had been fashioned. It is, in fact, the result of a concordat between the Government at Weimar and the Congress of Workers', Soldiers' and Peasants' Councils sitting in Berlin in March, 1919, and was only conceded by the Government under pressure of a fresh outbreak of revolutionary strikes and riots in that month.

Dr. von Delbrück (quoted by Dr. Finer at p. 94), speaking on behalf of the German National Party (I think, in 1919), said that : " the Council was the single new political idea with which the Revolution has up till now presented us, and particularly the single new political idea in the constitutional project as it now exists ; because beyond this the constitution is nothing more than a modern remodelling of the idea of 1789 and 1848." This new idea was embodied in Article 165 of the Weimar Constitution which provides for a hierarchy of Workers' Councils for individual undertakings, District Workers' Councils for larger units, and finally for a Federal Workers' Council. The District Workers' Councils and the Federal Workers' Council are to combine with " representatives of employers and other classes of the population concerned " in the formation of District Economic Councils and a Federal Economic Council. Of these bodies it appears that up to January, 1923, when Dr. Finer's study closes, only the Works Councils (see p. 182) and the Federal Economic Council had been constituted, the latter only provisionally and shorn for the present of one important power, namely, that of presenting its own proposals direct to the Reichstag by one of its own members. It is, it seems, having a pretty hard struggle to " dig itself " into the German Constitution, but has rendered important advisory services to the Executive. Dr. Finer's broad judgment on the activities of the Council will be found on p. 145 of his book. One of its chief tasks, apparently yet unfulfilled, is the completion of the pyramid of which it is the apex.

It is worthy of notice that the Federal Economic Council, as it has emerged, differs from the vocational assemblies with which the writings of Mr. and Mrs. Webb and Mr. Cole have familiarized us in this country. These writers seem to envisage a vocational assembly which would be a rival of or coequal with a political Parliament, while above them both would stand some reconciling and co-ordinating authority. In Germany, on the other hand, the Economic Council is definitely subordinate to the Reichstag : " it resolves what the nation *ought* to do, but to the political Parliament is reserved the power to say what the nation *shall* do " (p. 219). I sincerely hope and believe that any vocational assembly in Great Britain will also be subordinate to the political Parliament.

Politicians of all parties in Great Britain have been talking some-

what glibly of a "Parliament of Industry" or a "National Industrial Assembly" or "Council." They would do well to read Dr. Finer's book and particularly to clear their minds on the fundamental question of the relation of their particular type of vocational assembly to Parliament.

ARNOLD D. McNAIR.

Capital and Steam-Power, 1750-1800. By JOHN LORD. P. S. King and Son. 1923.

Mr. Lord's *Capital and Steam-Power, 1750-1800*, is an important contribution to economic history. It is an extraordinary and discreditable fact that, while the story of the rise of the factory system in the textile trades has been told again and again, the development of other industries during the same period has been almost entirely neglected. The so-called Industrial Revolution obviously depended upon the iron industry and engineering, on the one hand, which supplied the machines, and upon coal-mining, on the other hand, which supplied the power. And of the progress either of engineering or of coal-mining during the last half of the eighteenth century, nothing like an adequate account, so far as the reviewer is aware, has ever been written.

Mr. Lord has attacked a subject, therefore, at once fundamental and neglected, and he is to be congratulated on the success with which he has handled it. The core of his book consists of a study of the rise, progress and influence of the new power as shown by the development of the firm of Boulton and Watt, which had virtually a monopoly of the supply of it. The material on which it is based consists of two sets of documents at Birmingham, the Tangye MSS. in the Central Municipal Reference Library, consisting of the firm's business papers and correspondence, and the Tew MSS. in the Assay Office at Birmingham, which belong to Miss Boulton, a descendant of Matthew Boulton, and contain his private correspondence, including many letters to Watt. At the same time Mr. Lord throws interesting sidelights upon the other great entrepreneurs of the age, in particular on Wilkinson and Wedgwood. His introductory sketch of economic conditions from 1700 to 1750 and his concluding summary of the main results of the developments which he has described, without having the same novelty as his central theme, are scholarly and intelligent.

It is naturally on the central portion of the book, which presents conclusions based on unpublished materials, that the attention of the student will be concentrated. Boulton and Watt held, in a very real sense, the keys of the whole immense process of industrial reconstruction. The dependence of the rise of the great industry on adequate financial backing is shown by the constant difficulties which they experienced from 1778 to 1784 through lack of capital. The stages in the gradual penetration of industry by steam-power are revealed by the most valuable tables in which Mr. Lord sets out, from the records of the firm, the number of engines erected at differ-

ent dates between 1775 and 1800, classified according to industry and locality. Of the sixty-six engines erected between 1775 and 1785, twenty-two were used for copper mines, seventeen for foundries and forges, seven for waterworks and distilleries, five for collieries, and only two for cotton mills. In the next decade steam-power is being introduced into the cotton trade, and of 144 engines built, forty-seven were for cotton mills, collieries coming next with twenty-two. By 1800, the total number of engines in Great Britain and Ireland was still only 321, with a total horse-power of 5,210. Of these, eighty-four were used in the cotton trade, and the remainder in mines, waterworks, canals and ironworks. It is significant that at that time only nine engines were being used in the woollen industry.

The sensational character of certain aspects of the Industrial Revolution, and the interest they have excited, have led us to assume that we know more about it than, in fact, we do. What is needed now is more detailed work on particular phases of it. Mr. Lord has set an admirable example. It is to be hoped that this book is only the first of many contributions which he will make to Economic History.

R. H. TAWNEY.

The Romance of the Law Merchant. By W. A. BEWES, LL.B.
Sweet and Maxwell Ltd.

The Historical Foundations of Modern Company Law. By R. R. FORMDY.
Sweet and Maxwell Ltd.

These two books are a welcome contribution to the difficult borderland which lies on the edge both of economic and of legal history. Mr. Bewes has given a scholarly account of the origins and distinctive elements in the Law Merchant, i.e., business customs recognized and enforced either by the common law or by special commercial courts. Since the essence of it has always been a regard for the practical exigencies of commercial life, its development throws much light on business methods and problems in different periods. The field is so immense, that it is difficult within reasonable compass to treat any one part of it adequately: on the one or two points where the reviewer has anything like first-hand knowledge, he is tempted to complain that the author hurries him forward murmuring, like the Red Queen, "Faster! faster!" just when he is hoping the argument will begin. But the complaint would be unreasonable. General surveys have their use, as well as intensive studies. Mr. Bewes has read widely in the economic and legal literature of several different countries. He disentangles the salient characteristics of the Law Merchant with a lucidity which make them intelligible to the lay reader. His book will be of real service to students of Economic History.

Mr. Formdy deals with certain aspects of what has always seemed to the reviewer an unaccountably neglected series of problems. Everyone knows that company law is one of the foundations of

modern business organization : everyone knows that in its present form it is quite a recent development. But it is difficult to find any English book in which an attempt is made to discuss at all adequately the economic causes and significance of a movement which is certainly one of the most characteristic of the last eighty years. Mr. Formdy's *The Historical Foundations of Company Law* does something to fill the gap. Part I covers ground already surveyed by Professor Scott. But Professor Scott's history stops in 1720, and Parts II and III of Mr. Formdy's book carry the story forward from 1720 to 1844 and from 1844 to 1908. Considerations of space obviously compelled compression, and less is said than could be wished of the economic conditions from which the Companies Acts emerged. That aspect of the subject still awaits its historian. In the meantime Mr. Formdy has helped to prepare the way for him by his lucid account of the development of the law.

R. H. TAWNEY.

The Principal Factors in Freight Train Operating. By PHILIP BURTT. pp. 208. George Allen and Unwin. 10s. 6d. net.

In the introduction Mr. Burt points out that it is vital that the railway machine shall be rendered capable of dealing with an ever-increasing volume of traffic with a minimum increase of capital expenditure. One of the best ways of arriving at this result is by "a steady improvement in working in the way of increased freight train loads and wagon loads." This book is intended to deal specially with all the circumstances and factors which have a bearing on this method of improving the railway service, and it is from this standpoint that it must be judged.

There can be no question that the book fills a gap in our English railway literature. Lack of railway statistics relating to our railways has made it difficult to write satisfactorily in the past as so much depended upon estimates, which rested on very slender foundation. The statistics published monthly by the Ministry of Transport have immensely improved the position, and Mr. Burt has made full use of those for 1920 and 1921, but for the years that went before he has been almost entirely dependent on figures relating to the North-Eastern Railway which cannot be treated as in any way typical of the country.

In some cases illustrations are drawn from the railways of the United States, and nothing but good can result from a realization of the smallness of our wagon and train loads compared with those of that country. When, however, it comes to the method of measuring the train load, so that the engines may be neither over-loaded nor under-loaded, only existing British methods are described, and the more scientific methods employed in Canada and the United States are ignored. Neglect to learn from the experience of railways in other parts of the world is a notorious British fault, though it is a fault of which Mr. Burt is not often guilty.

Useful as the book will prove to the student for the descriptions

and criticisms of the various methods and processes described, we could wish that in many cases the economy of the methods advocated had been reduced to the test of costs. A reduction in the number of engines may mean nothing more than that the engines renewed have been replaced with much more powerful engines. The student requires evidence that such a change has meant economy, and this is not necessarily supplied by figures showing improvement in the train load.

W. T. STEPHENSON.

The East India Trade in the Seventeenth Century. By SHAFAT AHMAD KHAN, Litt.D., F.R.Hist.S. Oxford University Press. 1923. 14s. net.

Professor Khan, in his detailed study of East Indian trade in the seventeenth century, provides a storehouse of well-documented facts most useful to the student. His mastery of his material enables him to throw new light on the history of the period. He emphasizes, in particular, an aspect of the subject which has not hitherto been duly considered, namely, the profound effect of that trade on the political and economic thought and policy of seventeenth century England. Indeed, he argues that the East Indian trade was the principal cause of the naval wars with Holland on the one hand, and of seventeenth century mercantilism, both theoretical and practical, on the other.

Of special interest are Professor Khan's accounts of the bullionist and of the "open" versus "restricted" trade controversies of the time. In discussing the latter he takes exception to Professor Ashley's treatment of the "Tory Free Traders," and draws attention to what he calls "Adam Smith's strange ignorance of the causes that brought Thomas Mun's mercantilism into existence." He also criticizes and corrects on minor points some of the statements of Professor Scott and Sir William Hunter.

Although Professor Khan has earned our gratitude for filling in an evident gap, yet the form of his book cannot be wholeheartedly praised. His manner of presentation is unmethodical and lacks clarity and perspective. He divides the seventeenth century into four periods, which are not, in fact, distinctive enough to justify this method and the large amount of tedious repetition which it involves. Again and again we are told such facts as that "the East India trade must again be assigned as one of the causes of the Third Dutch War"; that "mercantilism in the seventeenth century was not, therefore, imposed from above." Finally, it may be pointed out that there is no tabulated bibliography and that the Index is far from complete.

VERA ANSTEY.

From Akbar to Aurangzeb. By W. H. MORELAND, C.S.I., C.I.E. Macmillan & Co. 1923. 15s.

In his former volume, *India at the Death of Akbar* (published in

1920), Mr. Moreland broke entirely new ground by undertaking an intensive, detailed study of general economic conditions in India during one particular period. *From Akbar to Aurangzeb*, although necessarily less of a landmark than its predecessor, is a worthy sequel and provides a most fascinating study of Indian economic conditions during the seventeenth century. It will appeal strongly to all who desire to rectify the present dire lack of reliable and illuminating Indian economic history.

The fifty or sixty years following the death of Akbar in 1605 have two outstanding features: first, the commercial changes connected with the ousting of the Portuguese from Indian waters by the Dutch and English, the increasing interest of these foreign merchants in territorial questions and the consequent establishment of new markets for Indian goods in England, France, and the Netherlands; second, the deterioration of Akbar's administrative institutions under Jahangir and Shahjahan, and the effects of this deterioration on the economic conditions of the country.

Mr. Moreland has a unique knowledge of his subject and has drawn upon new sources of information. For the commercial developments he depends primarily on Dutch and English records, and, in particular, has obtained much information from Dutch sources previously untouched. He points out that the English and Dutch evidence is in many ways superior to that of the available Indian sources, as the European traders stood outside the interests of the Indian States and thus appear as impartial and independent witnesses, while the Indian literature is written "almost wholly from the official standpoint and presents only one side of the case" (p. 232). It seems that a considerable amount of unexplored material still exists in Holland and in India. The chief impression produced by this part of the book is that the Dutch position in India was far more important during the seventeenth century than is usually supposed. Mr. Moreland tries to correct the false impression produced by popular works, most of which woefully belittle or ignore the influence of the Dutch, and he clearly establishes the fact that "it was the Dutch, not the English, who succeeded to the Portuguese mastery of the Asiatic seas, and for the greater part of a century it was the Dutch who took the largest share in the external commerce of India." (Introduction, p. vi.)

The Administrative System of the Moguls of the seventeenth century is clearly described, as also the effects of its progressive deterioration throughout the period, and particularly interesting is the attempt made to supply a link between the land revenue system under Akbar and the system prevailing when the East India Company assumed the Diwani of the Bengal Provinces (p. 260).

The urgent need for further intensive studies of this kind is illustrated by Mr. Moreland's correction of prevalent ideas concerning the early history of indigo (see Note, p. 108, and compare *Imperial Gazetteer*, Vol. III). One general criticism may be made: Attention

throughout the book—probably owing to the nature of the greater part of the available sources—is mainly focused on foreign trade and administrative questions. Thus internal economic organization is somewhat overlooked, and the hoped-for accounts of industrial production and organization are not forthcoming. Discussion of industrial organization is chiefly confined to the cotton industry, and here nothing new is added. One feels there is room for yet another volume dealing with the industrial and commercial life of the interior of the country.

VERA ANSTEY.

Education and Industry. By HENRY C. LINK. Macmillan and Co.
Price 9s. net.

A certain amount of patience will be required from the reader who essays to wade conscientiously through the 258 pages of which this book consists, but should he be possessed of a saving sense of humour there will be compensations from time to time, although doubtless the author is innocent of any conscious attempt at "comic relief."

The purpose of the book is apparently to consider, in the first place, how far educational institutions in the States are fitting their pupils for a business career; secondly, what steps have been taken by individual business houses to provide, as regards their own employees, what the educational institutions have failed to provide; and, thirdly, where the line might most appropriately be drawn between the educational activities of the two.

So far at least as the English reader is concerned, the author's attempt to handle his problem is handicapped at the outset by a badly chosen vocabulary. Thus, when he uses the word "industry," he seems most of his time to refer to business generally rather than to industry proper; and when he talks about "education" as often as not he means "staff training." Yet again, he sees nothing incongruous in the idea of the staff training facilities supplied to its employees by a business house being described as "an industrial university." On the other hand, there is a good deal of shrewdness in the statement that "the haste which many educators in industry have shown in establishing their own educational courses instead of making use of existing facilities which were already adequate or helping to improve those which were not, has had a tendency to widen the gap that exists between industry and education." Naturally, if business men in the States will not support their own educational institutions, it is hardly open to them to complain that these institutions do not fill their needs. Yet again, there is a good deal in the suggestion that "public industrial education will never be as practical as it should be until those engaged in it assume at least some part of the responsibility for the employment of their pupils. Not until the public schools conduct an employment service in conjunction with their vocational training, will they be in a position to check up the results of their work."

There is, perhaps, nothing very constructive in the suggestions put forward by the author, but at least he shows that the relations of what he calls "education" to what he calls "industry" in the States are not yet ideal, and a realization of this is doubtless a step in the right direction. But the need for some effective co-ordination between the two is undoubtedly more widely recognized in the American than in the English business world. The surprising thing is that the American business man should be content to spend so much money in order to get what (if we are to accept Mr. Link's statements) is such a poor result. On the other hand, we have no real evidence that the American business man is content with the existing conditions. Possibly a little more real education and a little less staff training might work wonders. Possibly, also, instead of insisting upon a compulsory course of "Americanization" classes for all immigrants, it might be found worth while to institute an inquiry as to the best that each separate nation providing immigrants is able to contribute to the common stock. One never knows—or at least one never knows until a careful and disinterested inquiry has been conducted.

LAWRENCE R. DICKSEE.

Hunters of the Great North. STEFANSSON. London: George G. Harrap and Co. Ltd. 1923. pp. 288. 7s. 6d.

Mr. Stefansson's *Hunters of the Great North* is a most entertaining and instructive book. The reader will follow the explorer with untiring interest, whether he be running before a gale in an overloaded boat on the Arctic coast of Alaska, or struggling through a blizzard with a sledge and dogs with every prospect of being frozen to death before the lost trail can be picked up, or warily stalking caribou, with endless patience, endurance and precaution, because the lives of sick companions and of the sledge dogs depend on the skill of the hunter, or floating down the Porcupine River on a waterlogged raft, or being stalked himself by a polar bear. The reader who seeks for tales of adventure will find them in plenty, though he will have to use both his imagination and his intelligence, for the explorer is so matter-of-fact in his accounts, and so absorbed in showing that he has only accomplished what any man with a little gumption could have done, that his courage and resource appeal to the reason rather than to the emotions.

Mr. Stefansson makes a long-needed contribution in this book to the sociological and economic study of life in the American Arctic regions. He knows intimately the ways of the Indians of the North, but more particularly has he studied the life of the Eskimo.

In order to do this he has not only lived among the Eskimos and learned their difficult and highly complicated language, but he has lived as an Eskimo for years, till he has become thoroughly acquainted with their mode of life at all seasons of the year and understands their outlook. He obviously considers them a people superior to the Indians both in intelligence and in social development generally.

He gives fascinating details of the skill with which they adapt themselves to their peculiar climatic conditions, of their wise forethought, of their good-humoured gaiety and of their happiness with their lot. They are not interested much in the outer world, their own circle, arctic though it be, occupies and interests them too much. They regard the white man as "rich and fortunate, but unskilled and incompetent in things that really matter."

The rigours of climate, entailing often rationing of winter stores and the difficulties and dangers of travelling, have developed among them that system of hospitality almost amounting to communal possession, which always develops among intelligent people where common difficulties and dangers are great. H. ORMSBY.

Principes de Statistique Théorique et Appliquée. Tome deuxième, Statistique Economique. Fascicule 1. Statistique du Commerce extérieur et des Transports. Par ARMAND JULIN. pp. 156. Bruxelles: Albert Dewit. 1923.

M. Julin is specially well qualified to make this study of the methods of foreign trade statistics. The first volume of his work, published in 1921, was an admirable exposition and analysis of the more elementary theory and practice of statistics from a general point of view, written in a clear and attractive manner. As a lecturer in the University of Ghent he understands the needs of students, and as secretary general of the Ministère de l'Industrie et du Travail he has first-hand knowledge of the material to which relates the first part of his second volume, now before us.

For students and others interested in commerce nothing is more important than a knowledge of the exact meaning of the statistics of foreign trade published by the principal trading countries, and in them difficulties of definition and interpretation, common to all international statistics, are met in their most acute form. In definitions of exports and imports, in the meaning attached to general, special and improvement trade, in the classification of goods as materials, manufactured, or food, in the classification of countries, in the methods of deciding on the countries of origin and of destination, and in the rules for determining value, countries have in their official statistics followed a bewildering variety of courses. Efforts at standardization have frequently been made, notably at the Congress of Dominion Statisticians, and at the meeting of the Institut International de Statistique at Brussels last autumn, whose report to the League of Nations on the general questions was drawn up by M. Julin, who used the material incorporated in this book.

M. Julin deals with these subjects in a critical and illuminating manner and gives copious illustrations from the practice of many countries; but there is still needed a systematic tabular presentation of the methods followed, showing the systems of the statistics of the

various countries in a comparable form. It is hoped that this may be accomplished at the School of Economics this year.

Meanwhile this little book may be confidently recommended to students, but it is not to be supposed that there is any simple way of mastering these technicalities: "On ne peut pas arriver à porter un jugement sûr qu'à la condition de procéder, dans un esprit scientifique, à l'examen des données qu'on manie, ce qui suppose des connaissances sérieuses en méthodologie statistique" (p. 5).

A. L. B.

L'Impérialisme Economique. ACHILLE VIALATE, Professeur à l'École des Sciences Politiques. Armand Colin. pp. x. + 316. 8 francs.

This is a study of international relations during the last half-century. Few things give more pleasure than a short and clear account of a tangled period of history, when we are lifted clear of the undergrowth of research and see clearly the ridges of accepted fact. But we can only enjoy short accounts of comparatively ancient history. A short study of the last fifty years of international relations can be little more than a restatement of the platitudes about economic interdependence stupidly ignored by the mysterious spirit of nationality, the general danger from economic rivalry and the particular dangers of national psychologies and governments. But when the generalities about economic forces and the generalities about national psychology stand opposed the author is tempted to give the victory by a concrete fragment of Kautsky or Grey. These fragments never have perspective. Posterity may find them to be true, but in a short statement of the general problems of the last half-century they have the irrelevance of a newspaper headline. Contemporary history can only be written in detail; the above book is a good chart of the regions to be explored. K. B. SMELLIE.

L'Empire Britannique. ALBERT DEMANGEON, Professeur de Géographie à la Sorbonne. Armand Colin. pp. viii. + 280. 7 francs.

This is a good French textbook and a little more. There are wide vistas. "Dans le large cadre de la géographie humaine, on se propose ainsi de montrer comment, sur un théâtre à la fois très particulier et très divers, une groupe d'hommes a su mettre en œuvre ses facultés d'invention, d'adaptation, d'acclimatation et de propagation." One is thus encouraged to struggle through that minimum of statistics which is so necessary and so dull. There is neat compression. "Rien n'étonne l'étranger comme la variété des codes et de jurisprudence qui persistent dans tout l'Empire en face du droit anglais. A Québec, la jurisprudence repose sur la vieille loi française, la coutume de Paris; à Maurice, le code Napoléon est en vigueur. On voit appliquer le droit hollandais à la Guyane, au Cap, dans le Natal, dans l'Orange et le Transvaal, à Ceylan; le droit espagnol à la Trinité, le droit sicilien à Malte; en face de la

'Common Law' anglaise, le droit romain conserve encore un domaine en pays britannique." In 266 pages the growth of the Empire is analysed from the small island, the "colonie commerciale" of the Vikings, to the "deux grandes nations anglo-saxonnes auxquelles appartient la suprématie navale." The Washington Conference is thus neatly included. There is a good Bibliography.

K. B. SMELLIE.

The Order of Nature in Economics. By D. E. PEDDIE. Boston: R. G. Badger. pp 147. \$1.50 net.

In these sceptical days a book with the sub-title "A Solution of the Problems of Capital and Labour" instantly awakens suspicion and prejudice in the mind. Hope never dies, however, though we frankly confess to yet one more complete disappointment on reading Mr. Peddie's book, which appears to contain few ideas that do not originate from Henry George, and none that are in any sense original. The doctrine of the single tax, and the general economic creed on which it is based, has been widely discussed and still receives adequate attention. Comment or criticism here seems superfluous, for Mr. Peddie's exposition only differs from that of his master by the prominence given to unemployment, and its criticism of the continued spread of collectivism during recent years. Time has not dulled the important contribution which Henry George brought into such prominence, and the fundamental principle has received definite recognition in the sphere of politics. Time has not, however, decreased most people's doubts as to the completeness of the proffered panacea, nor has any scheme been worked out in detail as a comprehensive measure of reform. In this direction Mr. Peddie might have broken new ground, for the practical and ethical difficulties in the way cannot be glossed over with vague indications and promises. Mr. Peddie's book may, however, be read as an adequate exposition of the single tax creed, though we hope for the sake of American literature that his frequent use of sentences lacking verbs will not be widely copied.

J. W. F. ROWE.

School Notes

STUDENTS

The total number of regular students enrolled for the present Session up to the end of the Michaelmas Term was 703, and the number of occasionals 1,536, making a grand total of 2,239.

EXAMINATION SUCCESSES

Seventy-four students were successful in passing the B.Sc. (Econ.) Examination held in October. First Class Honours were obtained by Lilian Friedlander, L. C. Robbins, Evelyn M. Lawrence, J. S. Henderson, A. Plant, and C. Y. Shephard: twenty-eight students obtained Second Class and twenty-eight Third Class Honours—the remainder were recommended for a Pass.

Twenty-six students obtained the degree of B.Com. on the results of the Examination held in September.

The degree of D.Litt. has been conferred on a member of the staff, Mr. M. Ginsberg, and the D.Sc.(Econ.) on B. R. Ambedkar.

Dorothy Sells and Emma Winslow have obtained the degree of Ph.D. (Econ.).

SCHOLARSHIPS, STUDENTSHIPS AND PRIZES

The Hutchinson Silver Medal, awarded annually by the School for excellence of work done in research, has been awarded for 1923 to Dr. Eileen Power.

The Farr Medal and Prize, awarded annually on the results of the B.Sc. (Econ.) Examination by Mr. W. J. H. Whittall in memory of Dr. William Farr, has been awarded for 1923 to Lewis Roussez Connor.

Rosebery Prizes (awarded for the best monographs embodying original research presented in the Department of Railway Transport) of £10 each were awarded to W. Ashton and A. Berry (both of the London, Midland and Scottish Railway) for a joint monograph on Railway Amalgamations—Re-organization and Consolidation of Capital.

The Gladstone Memorial Prize, awarded annually for proficiency in History, Political Science and Economics on the results of the B.Sc. (Econ.) Examination, was won in 1923 by Lilian Friedlander.

Sir Ernest Cassel Travelling Scholarships have been awarded to L. J. Dodd and M. Himmel.

A Ratan Tata Studentship of the value of £175, tenable for one or two years, has been awarded by the School to Charles V. Dawe, B.Com. (Leeds), who will conduct an inquiry into Family Budgets and Expenditure of Working Class Families.

APPOINTMENTS

Arnold Plant, B.Sc. (Econ.), B.Com., has been appointed to the Chair of Commerce at the University of Cape Town.

G. L. Schwarz has been appointed Secretary to the Committee of the London and Cambridge Economic Service and Assistant Editor of the *Bulletin*.

F. W. Taylor has been appointed Assistant Secretary of the Free Trade Union.

E. C. Warren has obtained a post with Messrs. Benn Bros., publishers.

R. J. Smith has obtained a post with Shell-Mex Ltd.

A. C. J. Stevens has obtained a post with Messrs. Dodwell and Co.

Lectures to be given at the London School of Economics

German Public Administration, two lectures by Professor J. H. Morgan, M.A., Professor of Constitutional Law in the University of London, on Wednesdays, March 5th and 12th, at 6 p.m. Inclusive Fee, 4s.

Lecture I. The Civil Service.

Lecture II. Administrative Law.

The Financing of Industry, a course of six lectures by Dr. T. E. Gregory, D.Sc., Sir Ernest Cassel Reader in Commerce in the University of London, on Tuesdays, at 10 a.m. beginning April 29th, Fee : 12s.

The Problems of Population in India, a course of six lectures by Mr. G. Keatinge, C.I.E., on Mondays, at 5 p.m., beginning April 28th. Fee : 12s.

Problems of Population and Unemployment, a course of eight lectures by Sir Wm. H. Beveridge, Director of the School, on Tuesdays, at 5 p.m., beginning April 29th. Fee : 16s.

Modern Theories of Population, a course of four lectures by Dr. H. Dalton, Sir Ernest Cassel Reader in Commerce in the University of London, on Thursdays at 5 p.m., beginning May 29th. Fee : 8s.

The Machinery of Parliament, a course of five lectures by Mr. H. B. Lees-Smith, on Fridays at 5 p.m., beginning May 2nd. Fee : 10s.

Books Received

- Tabeller over Skibsfart og Varetransport gennem Ovesund. 1497-1660.* København.
- F. W. PETHICK LAWRENCE : *Why Prices Rise and Fall.* Second edition revised. Oxford University Press.
- Imperial Economic Conference : Proceedings and Documents.* His Majesty's Stationery Office.
- Report of the Imperial Institute Committee of Enquiry. 1923.* His Majesty's Stationery Office.
- Report of the Committee on the Co-ordination of Administrative and Executive Arrangements for the Grant of Assistance from Public Funds, on account of Sickness, Destitution and Unemployment.* His Majesty's Stationery Office.
- National Savings Committee. Seventh Annual Report.* His Majesty's Stationery Office.
- Supreme Court of Judicature Account. 1922-3.* His Majesty's Stationery Office.
- Fortieth General Annual Report of the Board of Trade. Bankruptcy. 1922.* His Majesty's Stationery Office.
- Companies. Thirty-Second General Annual Report of the Board of Trade. 1923.* His Majesty's Stationery Office.
- National Debt Return. 1923.* His Majesty's Stationery Office.
- Departmental Committee on Distribution and Prices of Agricultural Produce. Final Report.* His Majesty's Stationery Office.
- Private Enterprise in British Tropical Africa. Report. 1924.* His Majesty's Stationery Office.
- Reports of the Chief Registrar of Friendly Societies for the year ending 31st December, 1922.*
- Isle of Man. Account of Revenue and Expenditure. 1923.* His Majesty's Stationery Office.

Periodicals Received

- Bollettino della Emigrazione.*
- Citta di Milano.*
- Giornale degli Economisti.*
- The Irish Economist.*
- Journal des Economistes.*
- La Reforma Sociale.*
- Metron.*
- Ostdeutsche Wirtschaftzeitung.*
- Political Science Quarterly.*
- Sociological Review.*
- Zeitschrift für Volkswirtschaft und Socialpolitik.*

Consumer's Surplus: A Reply

By PROFESSOR D. H. MACGREGOR

THE real income of a consumer is the utilities derived from goods, as his real outlay is the strain of work. His total real income in any period of time is the simple sum of the utilities obtained from his expenditure. The summation is a matter of his own estimates ; it cannot be reduced to terms of a hedonic unit, but depends on what some psychologists have called an " implicit apprehension " of the power of one thing or another to satisfy his wants. Over any period of time, he has a rate of consumption, and of utility obtained. His consumption being continuous, there are no " first " or " last " units of things consumed ; but, according to his purchasing power, he can use more or fewer things, or can use more or less of anything on each occasion when he uses it.

I prefer to regard the utilities of things as derived from their actual use, but allowing for the continuity of expenditure, since, of course, the price offered for a particular unit of a thing precedes its actual use. And, in the second place, the whole theory of consumption must assume the consumer ; if he cannot buy necessities, he cannot be there at all. Given that he has a distributed expenditure, any part of that expenditure gives a finite satisfaction *in use*. No one has an unlimited nervous and mental capacity for the enjoyment of anything. On the assumption that he has enough to live on, the objective fact that a man would die without food is different from the subjective facts of the satisfactions derived from the consumption of food. Dr. Cannan draws attention to the fact that some of Jevons' space representations were " open at the top," making their utility " infinitely great," but yet accepts the position that " the space representations, if drawn true to life, enable the pupil to measure the utilities of these tenths against each other," which is impossible if any of them represent infinities. From another point of view, the consumer cannot be regarded as making an *economic* offer for his life, since he has not an infinite capacity for work. I therefore regard the demand curve as a closed curve.

I understand Dr. Cannan to accept the principles of diminishing utility and of total utility. But he argues that it is a fallacy to conclude more than that the price of all the goods is the price of all the utilities attached to them. " Ten times the price of any one-tenth is the proper price of the whole, with all its utility attached." What is the price ? Still more, what is the *proper* price ? If it is

the sum paid, that is a truism. But, keeping money out of the space representation altogether, it is a fact that a tenth of the money is willingly paid for less than a tenth of the utility. Dr. Cannan jumps this altogether. His marginal purchases show that the consumer is willing to buy utility at a certain rate ; the general proposition of the subject is that, because only of the law of diminishing utility, he buys much of it below this rate.

The purpose of a prudent buyer is expressed alternatively either as a desire to equalize the utility of a unit of money spent anywhere, or as a desire to obtain the greatest total real income. Given that he is spent up, he has a marginal rate of purchase of utility. If a unit of money is willingly given for a certain amount of utility, and a certain part of the consumption, bought also with a unit of money, has twice that utility (as Dr. Cannan admits it may have), then at a doubled price this latter part is being bought at the marginal rate. It is now being bought at half the marginal rate, the rate at which the buyer is willing to work for utility. It is, therefore, fair to turn the utility curve into a money curve, by pricing the intermediate utilities at the marginal rate ; or alternatively, to turn the utility curve into a cost of utility curve, in which case it would be positively inclined, and show rent as a producer's curve does.

But while it is right to add the utilities from all articles to give the total real income, it is not right to add the moneys into which these utilities can be converted at the marginal rate. Students are naturally puzzled at the idea of offering more than one's whole income for the whole utility. It is not right to add the moneys, because they represent the pricing of utilities at the marginal rate, and not the prices at which utility is bought anywhere except at the margin.

The difficulty of students is due to the fact that a single commodity is separately considered in showing " what the consumer would be willing to pay " rather than go without the intermediate utilities. This rests on an assumption of Marshall's analysis, which Dr. Cannan does not mention ; namely, that a change in the consumption of any one article taken by itself will be accompanied by changes in the consumption of other articles, but that the latter changes, being distributed, will be small in each case, and will not affect the marginal rate of purchase of utility. On this assumption, a change (say, a doubling) of the price of one article will reduce its consumption to the amount which will cause its utility to be priced at the marginal rate, supposed undisturbed ; that is, it will be bought up to the quantity where its actual marginal utility is twice its present marginal utility. It is in this sense that I understand the statement that the buyer will then pay twice as much rather than go without it ; for by paying twice as much per unit he brings the price of marginal utility with respect to it into correspondence with that obtaining over his expenditure as a whole.

Dr. Cannan also raises the question whether the surplus is obtained " in or out of " the article, by reference to the case of sub-

stitutes. In my view, utility is only obtained out of what is consumed, and the surplus is part of the total utility. I think that Dr. Cannan grants that there are degrees of appreciation in the consumption of the same thing; and the significance of the gradation has been specially analysed by J. B. Clark, in his exposition of the complexity of any commodity as regards its uses and utilities. I do not take the stock example of tea, because there is some risk that students will regard the whole theory as bound up with tea. But the same coal can be used, in gradations of utility, for the kitchen, the study, the drawing-room, and the greenhouse. (Will Dr. Cannan please not reply that he uses coke for his greenhouse?) It is now all bought at greenhouse prices, but if it becomes scarce and is still bought for kitchen purposes, the latter prices will *indicate* a degree of utility enjoyed when prices were lower. The realization of these latent advantages, when prices change, appears to me an ordinary fact of experience. These advantages were in the consumption of the article, not created but indicated by the prices at which substitutes will be bought. If I use a bridge (which is Dr. Cannan's other instance) to get to my work, to go cycling over, to fish from, and for other purposes, and willingly pay toll for the least necessary of these purposes; then the price I will pay to go round about if my own bridge is closed, will indicate to me what it was worth to me for the most essential purpose of my work. But the actual utility had nothing to do with any other bridge which I did not use.

The consumption in question is a *rate* of consumption. In this respect, Dr. Cannan's example (of suet pudding) appears to me a flagrant "l.b.w." I agree that confusion is created by such terms as the "first" pound of anything. The question being one of a rate of consumption, and of the greater or less use of things whenever they are used, I do not see that his example answers the case he has himself put (p. 25), though he has treated it brusquely. And this remark also applies to his instances on pp. 22-3. The demand of anyone for boots assumes that social customs are given; what he shows is that the demand would be different if these customs were different, and no one would dispute this. But he has deliberately made his instances fantastic as regards existing or probable utilities and customs—e.g., when he takes the utility of a collar-stud at a pound *a day*. I think that he hits his own wicket in playing so far back to the bowling. He will excuse this remark, which he will probably answer with a better (or worse) one.

I do not see how the conclusion can be avoided that a large part of our utilities are bought below the rate of willing expenditure, when the principles of total and diminishing utility are both accepted. If all this is given up, and it is held that the utility of the whole supply of anything falls to that of its marginal supply, that would be new ground, and the reply would be different. For there must be an analytical proof of the fact that low prices are better than high ones. The advantage would not be shown by the ability to buy

more goods at lower prices ; since more goods fall in value per unit, and the product of goods and utility may not increase. In other words, the denial of the psychological basis of demand, and its conversion into simply a theory of prices, will not escape difficulties. The only way out would be to hold that increased consumption, through the reactions of goods upon each other, augmented total utility. This is quite arguable. And the appeal from such a form of criticism of the usual theory of demand would then have to be to experience. I believe that gradations of utility exist in the total consumption of anything, and understand Dr. Cannan to accept this.

I have found other reasons for suspicion of the theory. Some think it is a way to dish Marx by showing that surplus is a game in which we are all involved. Others regard it as a way of proving that we obtain an advantage out of our own necessities ; since the surplus would increase if the intermediate utilities became greater. This aspect of it troubled me for some time ; but I think it is an advantage that work should exchange on better terms for utility, in whatever way the betterment of the rate comes about.

Does Mathematical Analysis Explain?

A NOTE ON CONSUMER'S SURPLUS

By PROFESSOR A. L. BOWLEY

WRITE $F(x)$ for the number of units of money that a consumer would pay for x units of a commodity rather than spend the money on other objects, in his existing environment and with consideration of his income and resources and of the prices of all other commodities that concern him. Then $F(x)$ increases with x up to the point of satiety. Let p be the price of the commodity and suppose that the consumer's possible purchase is not on a scale to affect p significantly. Then in his opinion he will benefit by increasing his purchase from x to $x+dx$ so long as $F(x+dx) - F(x)$ is greater than pdx , that is till $D_x F(x) - p = 0$, if we neglect a small difference due to the finiteness of the smallest unit purchasable. Write $f(x)$ for $D_x F(x)$, and write $C(x) = F(x) - xf(x)$. Then $f(x)$ is called marginal utility at x , and it decreases as x increases; $xf(x)$ is the amount paid, and $C(x)$ is the excess of the amount he would be willing to pay for x units over the amount he does pay.

$$\begin{aligned}\text{Now } D_x C(x) &= D_x F(x) - D_x (xf(x)) \\ &= f(x) - f(x) - xD_x f(x) \\ &= -xD_x f(x),\end{aligned}$$

and since $f(x)$ decreases as x increases, $C(x)$ increases with x .

Again, if $x_2 > x_1$,

$$\begin{aligned}F(x_2) - F(x_1) &= \text{increase in } F(x) \text{ from } x_1 \text{ to } x_2 \\ &= \text{average of } f(x) \text{ in interval } \times (x_2 - x_1) \\ &> (x_2 - x_1)f(x_2),\end{aligned}\tag{1}$$

since $f(x_2)$ is least value of $f(x)$ in this interval.

Also $F(x) = [F(x) - F(x-1)] + [F(x-1) - F(x-2)] + \dots + [F(2) - F(1)] + [F(1) - F(0)] + F(0)$, where $F(0)$ is 0, and therefore by equation (1)

$$\begin{aligned}F(x) &> [x - (x-1)]f(x) + [(x-1) - (x-2)]f(x-1) + \dots \\ &> f(x) + f(x-1) + \dots + f(1); \end{aligned}\tag{2}$$

that is, $F(x)$ is greater than the sum of the marginal utilities of the separate units, the excess being small if the commodity is finely divisible.

If at any time the price is p_2 and the consumer is purchasing x_2 units monthly (say), and owing to a failure of supply, the imposition of a tax or a strengthening of other persons' demand, the price rises

to p_1 , and his monthly purchase falls to x_1 , we have $p_2 = f(x_2)$, $p_1 = f(x_1)$, and the diminution of the consumer's surplus is

$$C(x_2) - C(x_1) = [F(x_2) - F(x_1)] + [x_1 f(x_1) - x_2 f(x_2)]. \quad (3)$$

The first bracket is always positive; the second bracket, the increase in expenditure, is negative if the elasticity of demand is sufficiently great; but it has already been shown that the left-hand side of the equation is always positive, since $C(x)$ increases with x .

There is no doubt that a definite meaning can be given to all the expressions used, and the mathematics involves no assumptions, except that x is capable of such small increments that the functions may be taken to be continuous, and that $f(x)$ decreases as x increases.

The criticisms of Dr. Cannan on consumer's surplus (ECONOMICA, No. 10, pp. 21-6) appear to be that no useful purpose is served by introducing the expressions I have called $F(x)$ and $C(x)$, that the conceptions to which they relate cannot or ought not to be valued in money; that Dr. Marshall's treatment is not in accordance with common sense, that $C(x)$ is affected by changes in environment and by the possibility of substitutes for the commodity in question, and that confusion is attained by the use of the term "consumer's surplus." Further, he cannot see any reason for the truth of the expression numbered (2) above.

That $F(x)$ and $C(x)$ are not merely mathematical expressions, but relate to intelligible conceptions, may perhaps be made clear by an example. A housekeeper reviewing her larder and her purse before going to market, decides that she will buy as much as 3 lb. of apples if she can get that quantity for 2s. On reaching the market she finds that apples are 6d. a lb. If she buys 3 lb., she has 6d. over to spend on other things. Here $F(3) = 24$ (pence), $f(3) = 6$, $C(3) = F(3) - 3f(3) = 6$. She goes home with apples which she in the morning had considered worth 2s., and with sixpennyworth of other goods or 6d. itself as well. Marshall speaks of such sums as the benefit derived from "opportunity," "environment" or "conjuncture."¹ I do not find his statements confusing or leading to an idea that something has happened to the apples or their total utility (Cannan, pp. 24-5).

I fail to see that Marshall's bridge illustration is ridiculous. "If a man pays 1d. toll on a bridge, which saves him an additional drive that would cost a 1s., we do not say that the 1d. is worth a 1s., but that the 1d., together with the advantage offered him by the bridge . . . is worth a 1s. for that day. Were the bridge swept away on a day on which he needed it, he would be in at least as bad a position as if he had been deprived of 11d." (p. 127 n.).¹ Cannan writes (p. 23): "so that, according to the doctrine, the total utility of any bridge to a person who uses it depends on the proximity of the next bridge, which he never uses." But Marshall is not speaking of *total utility*, but of a change of consumer's surplus. The total utility in this case is the sum the man would pay rather than not get to the other side, let us say 5s. If he has to take the 1s. drive, his consumer's

¹ *Principles of Economics*, 1907 edn., p. 125.

surplus is 4s., if he pays 1d. toll it is 4s. 11d. ; the difference 11d., is the sum in Marshall's illustration.

As to environment, I include the existing environment in the definition as does Marshall (running margin pp. 124-5). Cannan's point, however, that a great change of price (e.g., of boots) affecting many persons would alter the environment is not envisaged directly in Marshall's treatment ; but it is, I think, implicit in his conception of the demand of a market (p. 128), and the difficulty would disappear if $F(x)$ and $C(x)$ were extended to relate to consumers and consumers' surplus, a group instead of an individual.

If, in the previous example, the housekeeper did in fact buy the 3 lb. of apples she would not be acting as the perfect economic woman unless her demand was very inelastic, and for example, she must have 3lb. to make a pie or none. Even if she found that the price at the fruit stall was 8d., she ought not too hastily to make the purchase, but should consider also the prices of plums, pears, bananas, etc. Let us suppose that the state of her mind, after the prices of all relevant commodities were known, is represented by the following schedule, in which $F(x)=11x-x^2$ and, therefore, $f(x)=11-2x$, and take $p=6$ as in the illustration.

Number of lbs. x	Maximum sum that would be spent $F(x)$	Marginal Utility $f(x)$	Consumer's Surplus $F(x)-6x$
1	10	9	4
2	18	7	6
3	24	5	6
4	28	3	4
5	30	1	0

She will get the greatest consumer's surplus if she maximize $F(x)-6x$, which will be done at $x=2\frac{1}{2}$. She buys $2\frac{1}{2}$ lb. of apples, and then considers the question of plums and other fruit. This is, of course, also the solution of $f(x)=p=6$, and she has increased her purchase up to the point that additional apples do not seem worth 6d. a pound to her.

Actually, the supposed furniture of the mind of the economic man is more complex, for the *successive* solutions for apples, plums, etc., will not in general give the maximum. Let there be several commodities in question, $X_1 X_2 X_3 \dots$, and let their prices be $p_1 p_2 p_3 \dots$. Write $F(x_1 x_2 x_3 \dots)$ for the greatest sum the consumer would pay for a basket of x_1 units of X_1 , x_2 of X_2 , etc. Then the quantity to be maximized is $F(x_1 x_2 x_3 \dots) - p_1 x_1 - p_2 x_2 - p_3 x_3 \dots$, and this leads to the usual equations in the theory of marginal utility, viz. that expenditure is best arranged when $p_1 = \frac{dF}{dx_1}$, $p_2 = \frac{dF}{dx_2} \dots$

Mathematical readers can readily work out the expression for the resulting surplus, whose value is affected by all correlations between the utilities of the various commodities.

It is suggested that this treatment removes the whole difficulty of substitutes, and is at once more comprehensive and simpler than Marshall's treatment in the text. His reference to Book V and the general mathematical appendix, however, give the necessary materials for the solution of the problem.

The difficulty has been expressed that since a man would in extremity give his total resources for a glass of water, his consumer's surplus for water is that total less the current price of a glass of water, and so the surplus for two or more necessities is greater than his resources. This is a misconception; if two or more commodities are in question, it is $F(x_1x_2\ldots) - p_1x_1 - p_2x_2\ldots$ which is the surplus, and this can in no case be greater than his resources. Marshall alludes to the difficulty and considers that "the task of adding together the total utility of all commodities, so as to obtain the aggregate of the total utility of all wealth, is beyond the range of any but the most elaborate mathematical formulæ" (p. 131, footnote). But if we are only considering a small group of commodities that can be substituted for one another, or that are needed jointly, then the simple formula just used may be held to be sufficiently general.

My equation (2), which shows that $F(x)$ is somewhat greater than the total of the sum of the marginal utilities of the separate units, does not depend on "an indefinite number of different hypotheses, each of which is inconsistent with all the others as well as with the actual facts" (Cannan, p. 24), but is inevitably true from the definition of $F(x)$. If a person's mental relation to a schedule of prices of tea at one time were expressible as in the table quoted from Marshall, these would be the successive values of $f(x)$, whose aggregate is less than $F(x)$, but approximates to it as the range is extended and the size of the unit diminished. Dr. Cannan appears to believe that this depends on the Jevonian "space-representation" of total utility; it is in fact a direct deduction from the definition of consumer's surplus. The argument does not assume "that judicious persons are guided in their purchases by calculations of consumer's surplus," but only that purchases are increased up to the point that an addition is not in the consumer's opinion worth to him as much as it would cost; the judicious person may prove to himself, if he has the mathematical ability, that by thus following his usual course he has maximized the surplus.

Dr. Cannan's statement in his final paragraph that the superiority of position when five pounds of tea can be bought for 20s. over that when only 11b. can be bought "is quite clearly seen to lie in the sole fact that the man gets 5lb. instead of 11b of tea," is not in the least *inconsistent* with the possibility that the man would have given 34s. more than he had to for the additional 4lb. rather than go without them. My equation (2) supplies the reason for this particular evaluation under the hypotheses.

The term consumer's surplus has, I think, a definite and consistent

meaning ; whether it is of use in analysis or exposition must be decided by economists. It is in fact generally used not as a total, but as a quantity whose change or variation is considered, and particularly in connection with indirect taxation. Suppose that when tea is 4s. a lb. a tax is put on which raises the price to 6s. The consumer who (on Marshall's schedule) bought 5lb. at 4s., now buys 4lb. at 6s. He spends 4s. more and gets 1lb. less. He valued the missing lb. at something between 4s. and 6s. ; equation (1) shows that the amount he would have paid is greater than 4s., and it is readily shown that if the curvature of the demand curve over 1 unit is negligible, $F(5) - F(4) = \frac{1}{2}[f(5) + f(4)] = \frac{1}{2}(6 + 4) = 5$, so that 5s. is a close estimate of the value thus lost. His whole loss can then be taken as 9s. In equation (3) the first bracket on the right hand is 5s., the second is 4s. This may properly be considered in relation to the amount realized by the tax, or the detriment caused by different taxes can be compared.

The Time-Table of the House of Commons

By H. B. LEES-SMITH, M.A.

THE development of Parliamentary Procedure during the last century has been largely the result of the conflict between two principles which cannot be entirely reconciled with each other. These may be termed "Certainty of Business" and "Liberty of Discussion."

Unless a regular day's programme can be mapped out in advance and carried through without continual interruption, essential business remains unfinished and members who have come down to discuss one subject find themselves compelled to listen to debates on subjects of which no notice has been given. A long series of parliamentary committees have insisted upon the principle of certainty with increasing vehemence as the pressure of important business has become more urgent.¹

On the other hand the weapon of the private member against the Government and of the minority against the majority has been the liberty to raise questions on their own initiative and so to interrupt the regular order of the day's proceedings. The House has shown itself most tenacious of the rules by which this right has been secured.

"The old rules and orders are the safeguard of freedom of debate, and a sure defence against the oppression of overpowering majorities. . . . The written and the unwritten law of Parliament has for ages secured a good system of legislation, perfect freedom of debate and a due regard for the rights of minorities."²

The conflict between these two principles largely resolved itself into a struggle between private members and the Government for the time of the House, since the Government business was the chief

¹ "The most important thing is certainty, day by day, so far as is possible, as to the business to be transacted. For despatch for the convenience of members, and for decorum of proceedings, certainty is to be regarded as the primary object."—*Report of the Select Committee on the Business of the House*, 1861, p. iv; see also (a) the Evidence of Speaker Shaw Lefevre, in the *Report of the Select Committee on the Business of the House*, 1854, *Evidence*, p. 54; (b) the Evidence of Speaker Denison before the Select Committee on the Business of the House, 1871, *Evidence*, p. 28; (c) the Evidence of Sir Erskine May before the Select Committee on the Business of the House, 1871, *Evidence*, p. 1.

² *Select Committee on the Business of the House*, 1861, pp. xi and iii.

sufferer from the continual interruptions that the rules permitted. The spirit of the House of Commons is well reflected by its willingness to endure inconveniences, and to sacrifice legislation for generations rather than to take from members the right to intrude new questions into the programme of the day, an unwillingness which was only overcome by the continual pressure of the increasing volume of Government business.

NOTICES OF MOTION AND ORDERS OF THE DAY

Another general doctrine must be explained before entering in detail into the daily programme. One of the most ancient and fundamental principles of the House of Commons is the division of all ordinary public business into Notices of Motion and Orders of the Day. A Notice of Motion is a motion, notice of which has been given by an individual member on his own initiative. An Order of the Day is a subject which has been set down for a particular day by order of the House as a whole.

Notices of Motion are given by individual members with a hope of imposing fresh tasks upon the House by submitting propositions of their own. Orders of the Day represent the burden taken by the House upon itself by its own decision. For instance, the Second Reading of a Bill set down for a particular day is an Order of the Day, but amendments to Bills, which are propositions for which individual members are responsible, are Notices of Motion. When the discussion on any motion is adjourned it becomes an Order of the Day, since the adjournment is the act of the House itself. (*See Note A.*)

THE OPENING OF THE SITTINGS

The House meets on Mondays, Tuesdays, Wednesdays and Thursdays at 2.45, and on Fridays at 12 noon, unless it orders otherwise.¹ (*See Note B.*)

The House has completely changed its habits with regard to its hours of sitting since the close of the eighteenth century. Morning sittings used to be the practice of the House and evening sittings

(*Note A.*—When it is arranged that the day's debate is to begin by discussing a Notice of Motion, it is printed upon the Order Paper immediately under the heading of "Orders of the Day." This is misleading, but the explanation is that there is no other convenient place in which to include it. The Speaker, however, does not in such a case use the usual formula, "the Clerk will now proceed to read the Orders of the Day," but calls direct upon the member in whose name the Notice of Motion stands.)

(*Note B.*—During recent sessions an order has been made that the House should meet on Fridays at 11 o'clock.)

¹ Standing Orders 1 and 2.

were regarded as most objectionable. In the middle of the sixteenth century, Hooker reports that the House used to sit from 8 a.m. to 11 a.m. Legislating by candle-light was regarded as abnormal, and candles could not be brought into the House without a special motion to that effect being carried. One of James I's grounds of attack upon the Grand Remonstrance of 1621 was that the debates took place by candle-light.

One of the first changes was the order of the House, passed in 1717, that candles might in future be brought in without the sanction of a special motion. Eventually, by the time the reformed Parliament met in 1832, the hour for beginning the sitting had been put forward to 4 o'clock. By Lord Althorp's proposals, carried in 1833, the House met at 12 o'clock and the sitting was divided into two periods with an interval between 3 and 5 o'clock. Since that time the hours have varied between 12 o'clock and 4 o'clock. The last scheme for divided sittings was contained in Mr. Balfour's Procedure Reforms of 1902, by which the House began its sittings at 2 o'clock, and an interval was allowed from 7.30 to 9 o'clock.¹ This arrangement was condemned by the Select Committee on Parliamentary Procedure, 1906, and the present plan of a continuous sitting was adopted upon its recommendation.²

ORDER OF BUSINESS

Prayers are read immediately after the Speaker enters the House. The business of the day then begins, and is usually taken in the following order :

1. Private business.
2. New writs.
3. Presentation of public petitions (if presented *orally*).
4. Unopposed motions for returns, motions for new writs, and other formal business.³
5. Questions.
6. Request for leave to make any motion for adjournment under Standing Order 10.
7. Introduction of new members.⁴
8. Matters taken "at the commencement of public business."
9. Orders of the Day and Notices of Motion as set down on the notice paper.

¹ See Mr. Balfour's speech, *House of Commons Debates*, January 30th, 1902.

² *First Report of Select Committee on House of Commons Procedure*, 1906, p. v.

³ If time is not available for this business at this stage it may be taken after the conclusion of public business.

⁴ Members, although it is unusual, may also be introduced after the Orders of the Day and Notices of Motion have been disposed of. See Standing Order 84.

FORMAL BUSINESS

There are a great variety of purely formal motions necessary to carry on the business of the House, such as motions for the First Reading of a Bill brought down from the House of Lords, for the postponement, discharge or revival of an Order of the Day, and for the withdrawal of a Bill by the member in charge of it. Notice of such motions is not required, and they are frequently handed in at the Table, and entered in the Clerk's book as a matter of course, without actually being brought before the House.

Business of this character, when it has to be formally brought before the house, is usually taken just before the commencement of questions, but if time cannot be found then, it may be dealt with after the close of public business.

MOTIONS FOR UNOPPOSED RETURNS

A motion for a return is regarded as unopposed when the Speaker is satisfied that the Department furnishing the return has notified its assent to furnishing it. Such motions are ordinarily taken just before questions, but if any member opposes the motion it becomes contentious business and must be deferred until Notices of Motion are called on in their regular order.

Formal opposition to a return by a member has been overruled by the Speaker, and he has suggested that the member who has objected should discuss with the Department whether the order should be rescinded.¹

QUESTIONS²

Questions have now become one of the most important functions of the House of Commons, and the question hour is frequently one of the most vivid and dramatic periods of the day, the close of which is marked by a general exodus of members from the Chamber.

¹ This affords an example of the way in which the procedure of the House becomes altered gradually by Speakers' rulings. In 1905 (*House of Commons Debates*, March 14th, 1905, p. 1502) the Speaker strongly deprecated a member formally opposing a return, but at the same time gave the House to understand that he was powerless to prevent it. The immediate result of his ruling was that the two parties came to an understanding that such a course would not be adopted during that session. But Mr. Churchill cautiously asked the Speaker whether such an understanding would "invalidate" his ruling as to the right of a hon. member to object to unopposed returns if he wishes to do so. The Speaker, in his answer, implied that such a right would not be taken away. Nevertheless, ten years later (*House of Commons Debates*, December 23rd, 1915, p. 588) the Speaker gave it as his ruling that "the hon. member cannot object if the Government concerned agrees to the return. It rests with the Department to object to a return being granted."

² The first recorded question was asked in 1721, but it was not until 1849 that questions were sufficiently recognized to be assigned a place on the notice paper.

Until quite recent times the purpose of questions was merely to obtain necessary information, and the use of them for any other purpose was regarded as an abuse of the rules.¹ The modern use of questions is one of the chief developments in procedure of the last generation. The functions of the House of Commons include the discussion not only of legislation but also of administration, and questions are now accepted as one of the main methods by which the latter task is carried out. From 80 to 100 questions are answered orally by ministers on each complete Parliamentary day. A question, together with the string of supplementary questions and answers to which it can lead, enables a summary debate on any point of policy to be held and to be repeated day by day. This is one of the chief methods by which the House maintains its control over executive policy.²

Questions are divided into two classes: questions for oral answer and questions not for oral answer. Any member who desires an oral answer to his question may distinguish it by an asterisk; but notice of it must appear at the latest on the notice paper circulated on the day before that on which an answer is desired.³ The two classes of questions are usually known as "starred" and "unstarred" questions. The number of the latter each day is, as a rule, less than a quarter of the number of oral questions, and comparatively little publicity is given to them.

QUESTIONS FOR ORAL ANSWER

Questions are taken on Monday, Tuesday, Wednesday, and Thursday after private business has been disposed of, and begin not later than 3 p.m.⁴ They are printed on the notice paper and marked with numbers in accordance with the order in which members have handed them in, the questions to each minister being grouped together. As the questions to ministers who are late on the list are not usually reached, a scheme is drawn up by which each department in turn has an early place on the list at least once a week. The scheme is posted in the "No" division lobby, and it is important that members who wish to ensure receiving an oral answer to the question should consult it. As each member's turn comes the Speaker calls him by name, whereupon he rises in his place and reads the number of his question. The minister to whom

¹ See Mr. Balfour's speech, House of Commons, January 30th, 1902, in which he expressed his view that the modern practice of questions was "not a proper use to which to put the time of the House." His procedure proposals for that year attempted to enforce this opinion by enacting that only one supplementary question should be permitted, and that this should only be allowed to the member asking the original question, and should be confined to the purpose of obtaining necessary information.

² See Mr. Balfour's *Evidence* before the Select Committee on House of Commons Procedure, 1914, pp. 76 and 84.

³ Standing Order 9 (4). ⁴ Standing Order 9 (2).

the question is addressed replies, and supplementary questions may then be put by any member.

No questions are taken after a quarter to four, excepting (a) any question which has not been answered in consequence of the absence of the minister to whom it is addressed; (b) "Private Notice Questions," i.e. questions which have not appeared on the notice paper, but which are of an urgent character and which relate to matters of public importance. Such questions are asked verbally. The assent of the Speaker is necessary before they can be put, and both he and the minister to whom the question is addressed should be notified as long beforehand as possible. (c) Questions, put orally, relating to the arrangement of business.

When all questions have been called, the Speaker, provided the hour of 3.45 has not been reached, calls again any question which was not asked because the member was not in his place when its turn came. He also calls again any question which was not answered on account of the absence of the minister to whom it was addressed.

If a question is not reached by 3.45 p.m. the answer is printed in the official reports of the Parliamentary Debates. If, however, a member wishes to have an answer in the House he can postpone the question until another day by giving notice to the Clerk at the Table before 3.45 p.m.¹

A question must be asked by the member who has placed it on the paper or by some member deputed on his behalf. If, however, it requires a prompt answer, because it contains a personal statement, it may be asked by any member. A minister has been permitted, on the ground of public interest, to answer a question appearing on the notice paper, even though it has not been asked.

A minister may, on the ground of public interest or some other ground, decline to answer a question.² When this occurs the question may not be again put upon the notice paper.

Not more than three questions for oral answer may be placed upon the paper by any member for the same date.

Answers to "unstarred" questions (questions not for oral answer) are printed in the official reports of the Parliamentary Debates.

Questions are governed by a considerable variety of regulations which have been evolved by Speakers' rulings and the practice of the House. The most important of these are as follows:

1. A question addressed to a minister of the Crown must relate to public affairs with which he is officially connected, or to a matter of administration for which he is responsible.³
2. A question addressed to an unofficial member must relate to some Bill, motion, or other matter connected with the business of the House for which he is responsible.⁴

¹ Standing Order 9 (5).

² *House of Commons Debates*, July 21st, 1915, p. 1488.

³ *Ibid.*, April 29th, 1901, p. 51. ⁴ *Ibid.*, March 14th, 1905, p. 1383.

3. A question must not contain names of persons or statements of fact unless they are necessary to make it intelligible.¹
4. If a question contains a statement, the member asking it must make himself responsible for its accuracy.²
5. A question must not contain any argument.
6. A question must not contain any epithet or ironical expression.³
7. Quotations are not permitted in questions.⁴
8. A question must not be asked about proceedings in a Committee which have not been placed before the House by a report from the Committee.⁵
9. A question must not ask for an expression of opinion.
10. A question must not ask for the solution of an abstract legal question.
11. A question must not ask for an answer to a hypothetical proposition.
12. A question must not be asked as to the character or conduct of any person except in his official or public capacity.
13. A question must not be asked which reflects on the character or conduct of any person whose conduct can only be challenged on a substantive motion.
14. A question making or implying a charge of a personal character may be disallowed.
15. A question fully answered must not be asked again.
16. A question must not relate to the internal affairs of a friendly state.⁶
17. A question which might prejudice a pending trial should not be asked.⁷

The final authority over questions is left with the Speaker, who has wide discretionary powers to disallow any question which he considers to be an abuse of the right given to members. He may, for instance, refuse to pass a question on grounds of unreasonable length or impropriety of expression. If any doubt arises over a question, one of the Clerks at the Table usually discusses it with the member concerned in the first instance, and, if an agreement cannot be reached, the decision is left to the Speaker.

THE URGENCY MOTION FOR ADJOURNMENT⁸

The victory of the Rule of Progress in the case of both Committees on Bills and Committees of Supply and Ways and Means substantially established the principle of certainty of business.⁹ But, vital though this doctrine is, some elasticity is essential, in

¹ *House of Commons Debates*, January 7th, 1913, p. 1005.

² *Ibid.*, May 22nd, 1916, p. 1804.

³ *Ibid.*, August 25th, 1860, p. 1827.

⁴ *Ibid.*, October 13th, 1915, p. 1297.

⁵ *Ibid.*, June 21st, 1883, p. 1147.

⁶ *Ibid.*, February 28th, 1906, p. 1142.

⁷ *Ibid.*, July 10th, 1907, p. 1614.

⁸ Standing Order 10.

⁹ See Appendix.

order that the House may not be cut off by its own rules from dealing with urgent issues which there is a general desire to discuss immediately.

This has been secured by Standing Order 10, embodying the Urgency Motion for Adjournment. (*See Note c.*)

It enacts that such motions shall only be made after questions on Mondays, Tuesdays, Wednesdays, and Thursdays. Members may only move the adjournment for the purpose of "discussing a definite matter of urgent public importance." The matter cannot be discussed unless not less than forty members rise in their places to support the motion.¹ The discussion on such a motion must stand over until 8.15 p.m. on the day in question.² The security against abuse that this Standing Order contains consists not so much in obtaining the support of forty members, which may be easy, as in the fact that the decision of whether the question is "definite," "urgent," and "of public importance" rests with the Speaker, and that Speakers have interpreted the words very strictly. Not more than one such urgency motion for adjournment can be made

(*Note c.*—Motions of this character arose out of questions. Members developed the practice of commencing a debate on the answer that they received to a question, and, as a speech must always be made to a definite motion, they put themselves in order by moving the adjournment of the House. Certainty of Business was destroyed, as Speaker Brand explained to the Select Committee of 1878 :

"The House settles for itself the business that it will take day by day, and the order in which that business is to be taken ; but if members, before the public business is called for, are at liberty to raise any question on the motion for the adjournment of the House, it is quite obvious that the order of public business will be entirely disturbed."³

The Select Committee of 1861 had already complained of this practice, but, true to the tradition of maintaining freedom of debate, preferred to rely on "the forbearance of members" and to leave it to the "marked disapprobation of a large majority of the House" to check the abuse.⁴ The present Standing Order 10 was first adopted on November 27th, 1882, as one of Mr. Gladstone's code of Procedure Reforms, and follows very closely along the lines proposed by Mr. Speaker Brand to the Committee of 1878.⁵)

¹ Or, unless, if fewer than forty members and not less than ten rise in their places, the House, on a division upon the question put forthwith, determines that such a motion shall be made.

² The postponement of the discussion until 8.15 was carried as one of Mr. Balfour's Procedure Reforms on April 29th, 1902. The reasons are explained in Mr. Balfour's speech of January 30th, 1902, p. 68. The Standing Order was further amended on April 3rd, 1906.

³ Select Committee on Business of the House, 1878, *Evidence*, p. 3.

⁴ *Report of the Select Committee on the Business of the House*, 1861, p. 11.

⁵ *Ibid.*, 1878, p. 37.

at the same sitting. In addition to these provisions, such motions are subject to the general restrictions which are applied to all motions.¹

MATTERS TAKEN "AT THE COMMENCEMENT OF PUBLIC BUSINESS"

The notice paper contains a separate heading entitled "At the commencement of Public Business," under which four special subjects can be included :

1. The introduction of Bills by presentation at the Table.
2. Motions for leave to introduce Bills under the Ten Minutes Rule.
3. Motions for the nomination of Select Committees. It is, however, more usual to take motions setting up Select Committees after the Orders of the Day have been gone through.
4. Motions by a minister of the Crown relating to the business of the House, such as a motion for the Suspension of the 11 o'clock rule.

THE CLOSING OF THE SITTING

The closing of the Sittings of the House is a most complicated task controlled by a bewildering variety of rules, each of which, however, falls into its right place in a strictly logical development.

Beginning with an ordinary day when the House rises at a normal time, the first rule of importance is that at 11.30 p.m. (and on Fridays at 5.30 p.m.) the Speaker adjourns the House without question put.²

The words "without question put" have a long and vivid history behind them. During the struggle between Parliament and the Stuarts, the House, in order to protect itself from being adjourned against its own will, enacted that it could not be adjourned except by a motion carried by the House itself. The result of this was that there was no definite hour for rising. Sometimes it happened that the House emptied without the adjournment being moved, and the Speaker was compelled to continue sitting, tied to his chair in an empty House, waiting indefinitely until some member could be

¹ These restrictions are : (a) Not more than one matter can be discussed on the same motion. (b) The motion must not raise a debate on a matter which has been discussed in the same session. (c) The motion must not anticipate a matter which has been previously appointed for consideration by the House or with reference to which a notice of motion has been previously given. (d) The motion must not raise a question of privilege. (e) The discussion on the motion must not raise any question which, according to the rules of the House, can only be debated on a distinct motion after notice.

² Standing Order 1 (2) and 2. During the recent session the adjournment on Friday has by order of the House been at 4.30. This corresponds with the commencement of the sitting at 11 o'clock.

found to release him by moving the adjournment. It was gradually recognized that the original danger had passed away, and in 1888 the first Standing Order was carried to provide for the automatic adjournment at a fixed hour, which is now 11.30 p.m.

THE ELEVEN O'CLOCK RULE¹

The object of this rule is to bring all contentious matters to a close at 11 p.m., so that members can go home at a reasonable hour. It therefore enacts that at 11 p.m. on Mondays, Tuesdays, Wednesdays, and Thursdays, and at 5 p.m. on Fridays,² the proceedings on the business then under consideration are interrupted, and only unopposed business can then be taken.³

This broad rule governs the proceedings on a normal day, but in order to make it practicable a certain elasticity is introduced into its application. In practice, therefore, if, when the 11 o'clock rule is reached, a division is in progress, the interruption does not take place until it is completed. When, therefore, a debate ends by arrangement by 11 o'clock, the division begins at that hour, and is concluded at about 11.15.

The division thus taken may be upon an amendment (or upon an amendment to an amendment), and the House may wish to take a division on the main, original or any further questions consequent upon the decision that it has just given. The Speaker or Chairman accordingly proceeds to put in proper sequence all the questions which have already been proposed from the Chair. As, however, this cannot be done without the consent of the whole House, it follows that if any member, when such a question is proposed, says "I object to further proceedings" or rises to speak, the Speaker or Chairman interrupts the business.

THE ELEVEN O'CLOCK RULE AND THE CLOSURE

One of the results of any such regulation as the 11 o'clock rule is that unless special provision is made, members, by carrying the debate on until 11 o'clock, could prevent any decision being reached. The closure is therefore essential to any such plan, and it is laid down that on the interruption of business under the rule the closure may be moved.⁴ The division on the closure motion, and, if this motion is carried, on the question to which it applies, may be taken at 11 o'clock.

When this question has been decided members may claim the general right that they have, under Standing Order 26, to make a further motion (with the assent of the Chair) to bring to a decision any question already proposed from the Chair. They may also claim the analogous right, when a clause is under consideration, to

¹ Standing Order 1 (3).

² During recent sessions the House has made an order substituting 4 p.m. for 5 p.m. on Fridays.

³ Except "exempted business," which is dealt with later.

⁴ Standing Order 4.

make a motion (with the assent of the Chair) that the question that certain words stand part of the clause, or that the clause stand part of, or be added to the Bill, be now put.¹

It may happen that although it is unnecessary to move the closure at 11 o'clock, as no member then wishes to speak, yet after the question then under discussion has been put and decided, and subsequent questions already proposed from the Chair are being put, a member may rise to speak. Under these circumstances the closure may be moved, as otherwise the House would not have the same right to claim to end the debate as if the closure had been moved at 11 o'clock.

BUSINESS NOT DISPOSED OF AT ELEVEN O'CLOCK

It is usually the case that part of the business set down amongst the Orders of the Day has not been dealt with by 11 o'clock. This business is called on, in its order. If it is an Order of the Day the Clerk reads its description. If it is a Notice of Motion, the Speaker calls upon the member who gave the notice. In both cases the member in charge of the business says "Now." If it is unopposed (or exempted) it can be taken; if it is opposed, i.e., if any member says "I object," it cannot be taken, and stands over until the next day or until a day named by the member in charge of the business.²

The question sometimes arises as to whether the right to say "Now" and the right, if the business is opposed, to postpone it to a certain day, rests only with members in charge of the business, or with any member of the House. The doctrine is that if the business is a Notice of Motion, it is the property of the member who has given notice, and nobody else may deal with it. But if it is an Order of the Day it is the property of the House, and any member may deal with it; but, as an opponent of the measure might, by using his right, postpone it for six months, the Speaker under such circumstances only accepts the date of such postponement from the member in charge of the business.³

DEBATES ON ADJOURNMENT AFTER THE CONCLUSION OF BUSINESS

As soon as the Orders of the Day have been disposed of, either before or after 11 o'clock, and provided that the hour of 11.30 p.m. has not been reached, the adjournment is moved. The adjournment can only be moved by the Government and the motion is made by a Minister from the Treasury Bench. On this motion statements or comments can be made or questions asked until 11.30, when the House is adjourned automatically; but if it is after 11 o'clock no division can take place, as this would be opposed business. The House is thus

¹ Standing Order 26 (2).

² Standing Order 1 (6).

³ If a member wishes to put opposed business down for next day's sitting he says "To-morrow," but if the House has sat until after 12 o'clock he says "This day."

provided with a short opportunity of raising questions and of obtaining a ministerial statement in reply on each normal night. A vigorous Opposition uses this opportunity so regularly that members stake out their claims in advance, by giving notice to the Speaker.

UNREAD ORDERS

It may happen that owing to the adjournment of the House,¹ either before or between the Orders of the Day, one or more Orders of the Day may not be read at the Table. Such orders are set down on the notice paper after the Orders of the Day appointed for the next sitting of the House, subject to the right of the Government, when their business has precedence, to arrange it in the order that they think fit.

DROPPED ORDERS

It may happen that after an Order has been read, further proceedings on it are prevented for one or other of the following reasons :

1. Business may be cut short by the adjournment of the House.
2. During the Committee Stage there may be no quorum, or a resolution may be carried that the Chairman do now leave the Chair, or that he do report progress. In the last case this would only occur when the Chairman, upon a direction from the member who had obtained the appointment of the Committee, refrains from asking leave to sit again.
3. If the Order comes on during the time of unopposed business and is opposed, it may happen that no member names a day for its future consideration.

In such cases, since the House has made no order arising out of the business, it drops off the notice paper. The procedure to replace such an order on the paper is simple. A motion to appoint the order for a subsequent day may be made either before the commencement or after the close of public business. It may be made without notice and is usually purely formal. In most cases it may be restored upon an application to the Clerks at the Table without any public procedure in the House. When it is essential that the proceedings that have been cut short be resumed without delay, a motion to that effect is made in the name of a minister of the Crown, at the commencement of public business, and the dropped order is printed in italics and placed among the Orders of the Day in the place where it is proposed to take it.

The most frequent reason for the dropping of orders is that private members who have stages of Bills on the Order Paper, which come on after 11 p.m. and are opposed, are not in their places to name the day to which they shall be postponed. Such a dropped order can be revived and put down for a future day by an application made by the member to the Clerks at the Table. In order,

¹ *House of Commons Debates*, March 16th, 1888, p. 1528.

however, to minimize the trouble which this procedure involves, a certain elasticity is, by usage, here applied to the treatment of opposed Bills after 11 o'clock. A member who is in charge of a Bill and who cannot be in his place when it is called, may give notice beforehand to a Clerk at the Table of the day to which it is to stand over, and the Clerk names that day on behalf of that member. Moreover, even without an application, the Clerk, by usage, postpones an order, generally for a week, if the member in charge of it is not in his place. After Whitsuntide, however, this practice is usually suspended, and Bills are allowed to drop in the absence of the member in charge of them.

EXEMPTED BUSINESS

These provisions for bringing the business of the House to a close apply to what may be termed a normal day, but they may be disturbed and the House kept sitting far into the night.

A considerable variety of business is exempted from the 11 o'clock rule and from the provision for closing the sitting at 11.30 p.m.¹ This "exempted business" falls into five classes.

1. A minister of the Crown may make a motion at the commencement of public business "that the proceedings on any specified business may be exempted at this day's sitting from the provisions of the Standing Order 'Sittings of the House.' " This motion must be decided without amendment or debate. If it is carried, (a) the business so specified is not interrupted if it is under discussion at 11 o'clock; (b) it may be entered upon at any hour, though opposed; (c) if it is under discussion when the business is postponed, it may be resumed and proceeded with, though opposed, after the interruption of business.²

This motion is known as that for the suspension of the Eleven o'Clock Rule. The Standing Order is so worded that it does not apply to the early sitting on Friday, so that a motion to exempt specified business from the interruption at 4 p.m. on that day is debatable.

Towards the end of the session a motion is often made exempting Government business for the remainder of the session from interruption under any Standing Order relating to the sittings of the House and enabling such business to be entered upon at any hour although opposed. Such a motion can be amended and debated, as the provision that the question shall be put without amendment or debate applies only to motions to suspend the 11 o'clock rule "at this day's sitting."³

¹ When, as has sometimes happened, the House has sat so long that the time for the next meeting under the Standing Orders has been passed, the Speaker, at the close of the sitting, has declared that the House stood adjourned until the following day. See *House of Commons Journal*, Vol. 154, p. 336, and Vol. 162, p. 82. The longest sitting on record is that which began on Monday, January 31st, 1881, and continued for forty-one and a half hours. See *House of Commons Journal*, Vol. 136, p. 51.

² Standing Order 1 (7). ³ Standing Order 1 (7).

The next two classes of exempted business are due to the necessity of ensuring time for the passage of the necessary financial legislation that must be concluded before March 31st each year.

2. The proceedings on the Reports of the Committee of Ways and Means and Committees authorizing the expenditure of public money except the Committee of Supply.¹ The reason that Committee of Supply is excepted is that no Bills are founded on resolutions from it.

3. Any Bill originating in Committee of Ways and Means, such as Consolidated Fund Bills and the Appropriation Bill.²

STATUTORY RULES AND ORDERS

4. "Proceedings made in pursuance of any Act of Parliament or Standing Order" are exempted business.³ Practically all such proceedings arise out of Acts of Parliament.⁴ This provision arises out of the steady increase of the subordinate legislation issuing from Government Departments. Half the Acts of Parliament of recent years have delegated the right to make administrative orders, rules, and regulations to different Government Departments, acting either directly or by Orders in Council, or through such authorities as the Lord Chancellor, the Electricity Commissioners, or the Judicial Committee of the Privy Council or the Governor-General of India in Council.⁵ Parliament usually lays down provisions by which such rules and orders must be put before the two Houses for varying periods.⁶ In many of these cases it is enacted either that the rule or order shall be withdrawn if an address for its amendment be carried by either House of Parliament or that they cannot come into operation unless a resolution of approval has been carried in both Houses. In cases where the House is thus given the opportunity of signifying its approval or disapproval, the discussion of the rule or order is treated as exempted business.⁷

In order that members may know the rules and orders which are at any moment lying upon the table for their appointed period, a list of them is printed weekly and can be obtained by members in the Vote Office. If a paper is laid in dummy it is only deemed to have been so laid, when a complete though not necessarily a printed copy is available for members.⁸

¹ Standing Order 7 (a). ² Standing Order 1 (2). ³ Standing Order 1 (2).

⁴ The only Standing Order in pursuance of which they could be taken is Standing Order 72, which enacts that packet and telegraphic contracts must be approved by resolution of the House.

⁵ See Carr's *Delegated Legislation*, p. 48.

⁶ See the Rules Publication Act, 1893.

⁷ Sometimes the House is empowered to pass a resolution modifying the order. In this case, if a member proposes a resolution of a Second Reading character rather than a modification, it is out of order.

⁸ It is sometimes difficult to distinguish between a statutory rule and an ordinary executive order to which these special provisions would not apply. The

THE ARMY AND AIR FORCE (ANNUAL) BILL

5. The most important "proceedings made in pursuance of any Act of Parliament" is the Army and Air Force (Annual) Bill, which is, therefore, "exempted business."

Its place in the constitution cannot be fully understood without recalling the circumstances out of which it has arisen. In 1689 the Bill of Rights enacted the fundamental doctrine that "the raising or keeping of a Standing Army within the Kingdom, unless it is with the consent of Parliament, is against the law." The Mutiny Act, passed for the first time in 1688, repeated this declaration and then gave the necessary Parliamentary consent by provisions embodying the army and authorizing the government of the troops by military law. In order to maintain continuous parliamentary control this Act was passed for one year only, and was renewed each succeeding year until 1879. In this year a permanent Act for the discipline and regulation of the army was passed, known as the Army Discipline Regulation Act of 1879,¹ which is cited as the Army Act.² But this Act is inoperative unless it is put into force by an annual Act—the Army and Air Force (Annual) Act—which is passed for one year only and continues the operation of the Army and Air Force Act until April 30th for the United Kingdom.³ It must, therefore, be carried each year before April 30th, and is introduced after the House has agreed to the resolution of the Committee of Supply authorizing the numbers of the Army and the Air Force. The preamble of the Bill states these numbers and repeats the original declaration that the maintenance of a Standing Army in the time of peace without the consent of Parliament is against the law. This is followed by sections containing any proposed amendments to the Army Act and the Air Force Act.⁴

FRIDAY SITTINGS

On Friday the House holds a short sitting. It meets at 12 o'clock noon.⁵ The interruption which brings the time for opposed business to an end, takes place at 5 o'clock.⁶ The period for unopposed business is from 5 to 5.30 p.m.,⁷ and the House automatically adjourns

general principle of the distinction has been laid down by the Treasury, who are empowered to decide such questions with the concurrence of the Lord Chancellor and the Speaker. (Rules Publication Act, 1893.) The Treasury has laid down the general doctrine that a rule or order comes within these provisions if it is of an executive rather than a legislative character, and that the precedents to follow are the Statutory Rules and Orders issued during the years 1890, 1891, and 1892. (Select Committee on Publications, 1908, *Evidence*, p. 108.)

¹ Re-enacted 1881, 44, 45 Vict. c. 58.

² See 53 Vict. c. 4, sec. 4.

³ For places outside the United Kingdom the date is July 31st.

⁴ The Air Force (Constitution) Act, 1917, 7 and 8 Geo. V, c. 51.

⁵ Standing Order 2. ⁶ Standing Order 1 (3). ⁷ Standing Order 1 (5).

without question put at the conclusion of business¹ or at 5.30 p.m., whichever be the earlier.²

The business at a Friday sitting follows the same order as that on other days, with the following important exceptions :

1. Ministers are not expected to attend to answer oral questions. Unstarred questions may be put down, and the replies will be circulated in the parliamentary report in the usual way.
2. No motion for adjournment can be made by a private member to discuss a definite matter of urgent public importance.³
3. Motions for leave to bring in Bills and for the nomination of Select Committees under the Ten Minutes Rule, may not be made.⁴
4. If it is desired to suspend the Five o'Clock Rule and to enable the House to sit beyond 5.30, a special motion to that effect must be made. This can be debated, as the Standing Order⁵ makes no provision for the suspension of the Five o'Clock Rule on Fridays.
5. Opposed Private Business cannot be put down on a Friday.⁶
6. In reckoning "allotted days," two Friday sittings are deemed equivalent to a single sitting.⁷

THE ADJOURNMENT OF THE HOUSE FOR THE WEEK-END

When the Committees of Supply and Ways and Means are open, the House at its rising on Friday stands automatically adjourned until Monday, without question put, unless it orders otherwise.⁸ Before these committees are set up, and after they are closed, it is necessary for the House to pass a special resolution on Friday to adjourn until Monday.

Sometimes the position is met by a general resolution that unless otherwise ordered it shall, when it adjourns on Friday, stand adjourned till Monday.⁹ (*See Note D.*)

(*Note D.*—This rule as it now stands represents one of the long conflicts between the requirements of "Certainty of Business" and of "Freedom of Debate." Until 1861 a motion for adjournment had to be moved each Friday, and on it a division and a debate

¹ Standing Order 3.

² During recent sessions orders have been made by which the House meets at 11 o'clock. The interruption of business is at 4 p.m. The time for unopposed business is from 4 p.m. to 4.30 p.m., and the adjournment takes place at 4.30 p.m.

³ Standing Order 10.

⁴ Standing Order 11. The presentation of Bills without a previous order of the House (p. x), and motions relating to the business of the House are in order.

⁵ Standing Order 1 (7). ⁶ Standing Order 8 (1). ⁷ Standing Order 15 (11).

⁸ Standing Order 24. ⁹ *House of Commons Journals*, Vol. 170, p. 9.

SATURDAY SITTINGS

On the rare occasions when the House sits on Saturday the customary hour for meeting is 12 o'clock.

If a Saturday sitting is desired a minister of the Crown makes a motion that the House shall sit on that day,¹ or an Order of the Day or some other matter of business is set down for the Saturday in question.² Or a motion is made on a Friday that "the House at its rising do adjourn till to-morrow." There are no Standing Orders applying to Saturday, but the order of proceedings is usually the same as on Friday, excepting that Standing Order 3, for the automatic closing of the sitting at the conclusion of business, or 5.30, does not apply to Saturday. If, therefore, it is wished to bring the sitting to a close at any definite period, a special order to that effect must be made. Sometimes the orders which regulate Friday sittings are applied for this purpose, and sometimes an order is made that as soon as Government business is concluded the adjournment of the House shall take place without question put.³

DISTRIBUTION OF TIME BETWEEN GOVERNMENT AND PRIVATE MEMBERS

The next major problem in our system of parliamentary procedure is the settlement of the incessant and inevitable collision of interest between private members and the Government in their desire for

(Note D, *Contd.*)

could take place. The Committees of both 1854 and 1861 complained that the opportunity was taken to raise general discussions on matters of no pressing urgency and wholly disconnected with the business of the day.⁴ It was argued that the discussion on the motion that "the Speaker do now leave the Chair" on going into Committee of Supply and Ways and Means would sufficiently enable members to ventilate general grievances, and it was for this reason that the rule for automatic adjournment was confined to a period when these Committees are open.⁵ The exception for the period when the Committee of Supply and Ways and Means are not open is now meaningless, and could be omitted with advantage.⁶)

¹ *House of Commons Journal*, Vol. 169, p. 435.

² *House of Commons Debates*, December 7th, 1888, p. 1486.

³ *House of Commons Journal*, Vol. 145, pp. 531, 553.

⁴ "This practice is highly inconvenient and if it is not checked, its effect must be to derange the settled course of business . . . These discussions are inconclusive; they are irregular because they have no reference to the question put from the Chair; they are unsatisfactory because various subjects are interlaced; and they are dangerous in their tendency, as leading to a relaxation of the strict rules of debate."—(*Report of Select Committee on Public Business*, 1854, p. v, and *Report of the Select Committee on the Business of the House*, 1861, p. v.)

⁵ *Report of Select Committee on the Business of the House*, 1861, p. v.

⁶ Sir Courtenay Ilbert's Evidence before Second Report of Select Committee upon House of Commons Procedure, 1906, *Evidence*, p. 21.

the time of the House. During the first half of the last century the private member had the advantage in this great conflict. Two days a week was the traditional portion of time allotted as Government days,¹ and this remained the portion which the Standing Orders provided until 1902. The apologetic air with which any proposal to increase this amount was discussed is evident in the Report of the Select Committee of 1861.² But the continuous pressure of the ever-increasing amount of necessary Government business led first to the conceding of a third day to them,³ and eventually to the practice by which the Government, regularly, each session carried a motion taking to themselves whatever private members' time they demanded.⁴ At last, in 1902, the present rules were laid down as part of Mr. Balfour's Procedure Reforms.⁵

Their effect is as follows: Private members' business has precedence on Fridays, and after 8.15 p.m. on Tuesdays and Wednesdays. But, after Easter, the Government business has precedence during the whole of Tuesday, and at every sitting from Whitsuntide until Michaelmas except on two specified Fridays.⁶

DISTRIBUTION OF TIME BETWEEN PRIVATE MEMBERS

The question of how to distribute the time allowed to private members between Bills and Notices of Motion has been answered by giving priority to Bills on Fridays and to Notices of Motion on Tuesdays and Wednesdays.⁷

In order that those private members' Bills that have reached the most advanced stages shall be given a preference over those that have not proceeded far enough to have such a good chance of passing, these Bills, after Whitsuntide, are arranged on the order book so as to give priority to those most advanced. Lords' amendments to these Bills are therefore placed first, and are followed by Third Readings, consideration of Bills on Report, Bills in progress in Committee, Bills appointed for Committee and Second Readings (Standing Order 6). (*See Note E.*)

(*Note E.*—This Standing Order follows the lines proposed by the *Report of the Select Committee on Public Business*, 1878, p. iv.)

¹ See the order of June 25th, 1852.

² "Although it is expedient to preserve for individual members ample opportunity for the introduction and passing of legislative measures, yet it is the primary duty of the Advisors of the Crown to lay before Parliament such changes in the law as in their judgment are necessary, and it would seem reasonable that a preference should be yielded to them."—(*Report of Select Committee on the Business of the House*, 1861, p. vi.)

³ *Report of the Select Committee on the Business of the House*, 1861, p. vii.

⁴ See Mr. Balfour's speech, *House of Commons Debates*, January 30th, 1902, p. 1363 *seq.*

⁵ Standing Order 4, passed April 11th, 1902, and amended April 3rd, 1906.

⁶ If the House meets for an autumn session, the Government usually carries a motion taking the whole of the time for their business.

⁷ Standing Order 4.

The next problem is to determine how the limited time allotted to private members is to be distributed between them. This is answered by leaving the determination to the fortunes of the ballot. A sessional order to arrange for this ballot is passed at the beginning of each session. It determines the priority amongst members throughout the session for the Second Reading of their Bills and for notices of motion during the first four motion days. The arrangement is as follows :

During the first two days of the session a numbered list is placed in one of the lobbies, in which members who wish to ballot for a day write their names opposite one of the numbers. If a member enters the name of another member he may not enter his own. On the third day lots are drawn in one of the committee rooms, usually in the presence of the Chairman of Ways and Means or Deputy-Chairman, and the result is published. If a member is successful in the ballot he elects whether he will give notice of a motion or present a Bill. In either case he must, to secure precedence, hand in at the Table his Notice of the Motion or of the Bill as the case may be, during the sitting of the House on the third day. On the fourth day Bills are presented in the order secured by the ballot, and members select days for the Second Reading accordingly. Members who have not been successful may also give notice of a motion or of their intention to present Bills, taking their chance.

The ballot for Notices of Motion that has been described is only for the first four motion days ; the ballot for the subsequent motion days being taken on Tuesday and Wednesday in the following manner.

A numbered list is kept in the lobby and members who wish to take part in the ballot write their names on the list opposite one of the numbers. Papers with numbers corresponding to those on the list are placed in a box. After questions, one of the Clerks at the Table takes out at hazard one of the papers from the box and calls its number. The Speaker then calls the name of the member which is opposite that number on the list. The member, or someone authorized by him, must then immediately rise in the House and give oral notice of the motion that he intends to move, in the formula " I beg to give notice that on . . . I shall call attention to . . . , and move a resolution." The enjoyment of these proceedings is greatly increased by the dismay of members whose names are unexpectedly called out, and who find themselves on their feet without any remembrance of what their motions are. The oral notice must be followed by a written notice on the same day.

APPENDIX

THE RULE OF PROGRESS¹

NOTE

The struggle between the two principles of "Certainty of Business" and "Liberty of Discussion" was revealed in the protracted controversy over "the Rule of Progress." Until the middle of the last century each time that the House resolved itself into Committee on a Bill the question that "the Speaker do now leave the Chair" had to be put anew, and on this question amendments could be moved raising afresh the whole principle of the Bill. (*See Note F.*)

The consequence was that during Committee Stage any member could hold up the progress of the Bill on any day by entering upon a debate upon its general policy. Speaker Shaw Lefevre, in his Evidence before the Committee of 1848, pointed out what a hindrance this was to legislation, and proposed that when an Order of the Day had been read, for the House to resolve itself into Committee of the whole House, the Speaker should forthwith leave the Chair without question put (except in the case of Committee of Supply and of Ways and Means, or unless a member had given notice of an instruction to the Committee).²

The Committee accepted this recommendation, but made the exception that the member's right to move an amendment to the question that "the Speaker do now leave the Chair" should be retained for the first occasion when the Committee on a Bill stood in the Order Book, and in this form Mr. Shaw Lefevre's proposal was, on June 25th, 1852, embodied in Standing Order 32.³ It was known as the Rule of Progress because it forbade debates on the question that "the Speaker do now leave the Chair" when once progress in Committee had been established. The exception was removed by Standing Order 51, passed on February 20th, 1888,⁴

(*Note F.*—The modern doctrine that the principle of the Bill should be discussed on Second Reading, and that the Committee Stage should be reserved for a debate upon its details, could be broken daily throughout the Committee Stage. Members, in fact, used to ask the House to pass the Second Reading *pro forma* on the grounds that the Committee Stage would enable them to debate its principle.)

¹ Standing Orders 32 and 51.

² Evidence of Speaker Shaw Lefevre before the Select Committee on Public Business, 1848, *Evidence*, p. 3.

³ The Committee of 1854 considered the abandonment of the exception made for the first day, but although the Chairman, Sir John Parkington, proposed it, the Committee decided with great hesitation to leave the rule unamended. — *Report of Select Committee on Public Business*, 1854, pp. v and x.

⁴ This Standing Order was amended on February 17th, 1891, and March 7th, 1901.

which enacts that whenever an Order of the Day is read for the House to resolve itself into a Committee (except a Committee to consider a message from the Crown, or the Committee of Supply, or the Committee on the East India Revenue Accounts), the Speaker shall leave the Chair without question put (unless notice of an instruction has been given). Standing Order 51, therefore, practically supersedes Standing Order 32, although the latter is still left in its place.¹

THE "RULE OF PROGRESS" AND COMMITTEE OF SUPPLY²

The most prolonged struggle between the two principles took place over the question of whether the "Rule of Progress" should be extended to the occasions when the House went into Committee of Supply, to which the final answer is to be found in Standing Order 17.

The origins of this controversy date back to the year 1811, when the House gave Government Orders of the Day precedence over others on about two days a week. This, of course, diminished the rights of private members, who immediately met the situation by moving amendments on the question "that the Order of the Day be read." Since the principle that amendments must be relevant to the main question was not at that time established, members could by this device debate almost any subject they pleased. For instance, on the question of the Speaker leaving the Chair for the Committee on the Reform Bill, on August 6th, 1831, an amendment was moved asking for the presentation of papers on the State of Poland.³ Under these circumstances there was no certainty when the Orders of the Day would be reached, and the Committee of 1837 recommended that this privilege should only be allowed when the Committee of Supply on Ways and Means was the Order of the Day.⁴ This proposal was adopted by the House of Commons in the same year.

The situation then left was, that whenever the Government wished to obtain Supply any member could move an amendment diverting the business into whatever other direction he thought fit. The result was explained to the Select Committee of 1854 by Sir Erskine May.

¹ The one result now secured by Standing Order 32 is that it prevents instructions from being moved on any occasion except the first on which the Order of the Day is for the House to resolve itself into Committee.

² Standing Order 17.

³ A history by Sir Erskine May of the development of this practice is contained in his Evidence before the Select Committee on Public Business, 1871, *Evidence*, p. 2.

⁴ *Report of the Select Committee on the Public and Private Business of the House*, 1837, p. 3.

"On all the twenty-two Supply or Ways and Means nights of the last session, there were motions and amendments proposed on going into Committee. The whole course of business, as appointed by the House, was consequently disarranged. The estimates are not duly considered in consequence of these continual delays, although the consideration of them is one of the most important functions of the House of Commons. The session is prolonged by this practice more than any other cause, and many Bills are sent up late to the House of Lords or abandoned altogether."¹

Equally strong remonstrances were made by Speaker Shaw Lefevre, and later by Speaker Denison.²

The remedy proposed by Sir Erskine May and the two Speakers was that with certain exceptions the "Rule of Progress" should be applied to the Committees of Supply and Ways and Means, and that no amendments, apart from these exceptions, should be permitted on the question that "the Speaker do now leave the Chair."

But the doctrine of Liberty of Discussion was so strong that it took nearly half a century to persuade the House to curtail it. The Committee of 1854 objected that the proposal "would deprive members of what has hitherto been considered a legitimate opportunity of bringing under notice of the House any case of urgent or serious grievance."³ The Committee of 1861 argued in the same way, that "the statement and consideration of grievances before Supply are among the most ancient and important privileges of the House of Commons, and this opportunity of obtaining full explanations of the Ministers of the Crown is the surest and the best."⁴ For forty years the House submitted to the loss of its legislation, the prolongation of its sittings and the disarrangement of its business in order to maintain the rights of the individual member. But, gradually, the pressure of business that could not be neglected became too strong. (*Note*.—In 1871, proposals along the lines of Sir Erskine May's recommendations were carried, but soon fell into disuse.⁵ The Select Committee of 1878 recommended that no amendment should be moved when the Committee of Supply stood as first Order of the Day on Monday, and so gave the Government one certain day each week.⁶) On November 27th, 1882, the present Standing Order 17 was carried.⁷ It lays down that whenever

¹ Select Committee on Business of the House, 1854, *Evidence*, p. 37.

² See (1) Select Committee on the Business of the House, 1854, *Evidence*, p. 54; (2) Select Committee on Business of the House, 1861, *Evidence*, p. 33; (3) Select Committee on Business of the House, 1871, *Evidence*, pp. 4 and 20.

³ *Report of Select Committee on the Business of the House*, 1854, p. v.

⁴ *Report of Select Committee on the Business of the House*, 1861, p. iv.

⁵ See Erskine May's account of this experiment before the Select Committee on the Business of the House, 1878, *Evidence*, p. 1; and Speaker Brand's account before the same Committee, *Evidence*, p. 42.

⁶ *Report of Select Committee on the Business of the House*, p. iv.

⁷ This Standing Order was amended on March 7th, 1888, February 17th, 1902, and February 13th, 1918.

the Committee of Supply stands as an Order of the Day, the Speaker shall leave the Chair without putting any question, unless on first going into Supply on the Army, Navy, and Air Force or Civil Service Estimates, an amendment is moved or a question raised relating to the estimates proposed. The right of moving an amendment or raising a question is also allowed on any Vote of Credit.

The result of this Standing Order is that the only occasion on which debates of the former character can now arise are on the first day that the annual estimates of any one of the four classes are set down for consideration, or when a vote of credit is to be moved. The amendment must relate and the debate must be confined to the class of estimates that have been set down. During the debate, amendments and speeches ought not to relate in detail to particular votes.

Recent Theories of Currency Reform

By DR. T. E. GREGORY

§ I

THE temptation to label this article the "Currency Theory of the Cambridge School of Economists" was great. But, though in this country the views presently¹ to be examined are associated particularly with Cambridge men, scientific accuracy demands caution in the imputation of intellectual paternity. There are not unimportant differences in the detailed views of the various writers loosely grouped together for controversial purposes as the "Cambridge School"; the leaders have broken away from the received Cambridge teaching in one important respect; at the same time important contributions to the main stream of thought have been furnished by the Scandinavians Wicksell and Cassel, and by the American Irving Fisher. A group no doubt exists, but it is better not to attempt the journalistic task of labelling it.

Nevertheless, if there is not a school, nor even a received and dry cut doctrine, there is, let us say, a point of view. And as detailed criticism obscures the very points it attacks, it is as well, perhaps, to set out clearly the angle from which the group surveys the tumbling waters of our existing monetary chaos. Six connected propositions sum up their attitude:

1. Stabilization is the true object of currency policy.
2. Stabilization is to be attained by watching credit-creation rather than currency-creation.
3. The control of credit enables short-run as well as long-run stabilization to be achieved. That is, the trade cycle is controllable *at will*, through credit control, even if the trade cycle is not (as some of the group would argue) *caused* by the manipulation of credit.
4. The appropriate *instrument* of control is the Central Bank of a given country, the appropriate *methods* being the use of the bank rate of discount, supplemented or reinforced by "open market operations"; the relative importance of these methods being as yet not fully determined. In applying these methods, the controlling autho-

¹ J. M. Keynes, *A Tract on Monetary Reform* (Macmillan and Co., 7s. 6d. net.)

R. G. Hawtrey, *Currency and Credit*, 2nd rev. edn. (Longmans); *Monetary Reconstruction* (Longmans).

J. R. Bellerby, *Control of Credit as a Remedy for Unemployment* (P. S. King and Son Ltd.).

urity is to be guided, not exclusively as in the past by the state of reserves and the position of the foreign exchanges, but by what may in fairness, in contradistinction to the indices just mentioned, be described as *Social indices*. "Actual price movements must, of course, provide the most important datum; but the state of employment, the volume of production, the effective demand for credit as felt by the banks, the rate of interest on investments of various types, the volume of new issues, the flow of cash into circulation, the statistics of foreign trade and the level of exchanges must all be taken into account."¹

5. After a period of inflation, stabilization and not deflation is the true aim to pursue; after a period of deflation, stabilization and not renewed inflation is indicated. But it would be true to say that some, at least, of the adherents of the group would, *at this juncture*, like to see "a little inflation." But this is not to be postulated of the group as a whole. On the question of the return to the gold standard, there is no unanimity. But perhaps it may be taken as a common view of the group,

6. That a return to the gold standard—though it might be desirable, all things considered, to return to it—would impair the autonomous control which the Central Bank should possess over both credit-creation and currency-creation if it is to do full justice to its high and inspiring tasks. For the aim of the group is *Social*; Labour, no less than Capital, is to benefit, for instability of money is the curse of both: mankind, no longer the slave of the trade cycle, may go about its appointed tasks in confidence. . . . With such ideals one cannot quarrel, one can merely hope against hope that they will be realized. . . .

§ 2

Some of the views expressed above are views as to the *object* of currency policy which are, in fact, independent of any particular interpretation of the nature of a monetary system. Others, again, assume a definite view of the nature of bank deposits, which seems to me to be based on the unsound idea that deposits are in the main the creation of bankers instead of being money entrusted to bankers by the general public. But, apart from such highly disputable points, it is quite clear that in pre-war days the credit system functioned in a monetary environment which placed very definite limits on the powers of bankers. The flow of gold from the mines, which was the basis of the secular trend of prices, was quite independent of the action of banks. The banks by varying their reserves might, even in these days, influence indirectly the value of money, but under the actual monetary conditions of pre-war days, there could really be no question as to the primacy of gold. In these days the situation is different. A managed currency permits of the ex-

¹ Keynes, *op. cit.*, pp. 188-9.

pansion of credit, but only because the banker knows that he has the printing press at his command. It is, therefore, of great importance that we should distinguish clearly between phenomena such as those through which Europe has been passing in the last ten years and the phenomena of the ordinary trade cycle. Under a gold standard cyclical phenomena must be clearly distinguished from secular-trend phenomena. It may be the case that bankers did not do all they should have done to damp down the exuberant imagination of business men in periods of expanding trade, but even from this point of view the question only turns on the time element. Bank rates rose in any case in periods of boom and the only issue which is of practical importance is whether they rose quickly enough. Even then it is a question whether the net burden which a rising bank rate inflicts on business borrowers is *in itself* sufficient to deter from further borrowing. It can be argued that this deterrent effect will only be exercised if business men know that in any case the period of rising prices, i.e. the short-run rise, is not likely to be of indefinite duration. Where, as in the last few years, this belief did not exist, the inefficacy of bank rate to control the price level is clear, in spite of bankers having now a much more elastic currency under their nominal control.

§ 3

Mr. Keynes' daring, restless, eager mind has shaped for itself a perfect medium of expression in his style. There is a touch of cruelty in his wit, a succinctness of statement, a polish which is Gallic rather than English, and which heightens enormously the intellectual appeal of his argument. The *Tract on Monetary Reform* will find a permanent place among those shorter monetary writings, the more effective because they *are* short, which are perhaps the most happy contribution of Englishmen to the science of political economy.

The work divides itself into three parts. In the first are examined the social consequences of changes in the values of money. The second part attempts an emendation of the theory of money and the exchanges. The concluding portion examines current monetary policy and provides suggestions for future reform.

The net conclusion of the first part is that "Inflation is unjust and Deflation is inexpedient. Of the two perhaps Deflation is . . . the worse ; because it is worse in an impoverished world to provoke unemployment than to disappoint the *rentier*."¹ It is this deep distrust of a fall in the price level which marks most clearly the breach in the received Cambridge tradition ; the position of Dr. Marshall, as expressed in his evidence before the Gold and Silver Commission, was almost the opposite to that of Mr. Keynes, viz., that a fall in prices tends to stimulate inventiveness and "certainly

¹ *Op. cit.*

tends to cause a distribution of wealth better than that which we should otherwise have."¹

The question ultimately to be faced is whether inflation or deflation most injuriously affects the national dividend *as a whole*; the prospect of an immediate fall of prices injures the spirit of enterprise; prospects of inflation affect the willingness to save and thus leads to an undermining of the productive resources of society. But *short* and *long-run* periods must be distinguished, though Mr. Keynes appears in the main to be thinking of the short-run. Short-run deflation is probably more injurious than short-run inflation; it does not follow that long-run inflation has on the whole better effects than long-run deflation. If one has to weigh this alternative, a point incidentally mentioned by Mr. Keynes and used by him to press the case against deflation becomes important. He cites² Prof. Irving Fisher to show that "the great mass of contracts are of very recent origin." If that is so, the position of the business man is less unfavourably affected by deflation than appears at first sight, because if the fall in price within the lifetime of a given contract is small, the temptation to discontinue production diminishes. Most business contracts are short-dated contracts to deliver goods and services, or short-dated contracts to borrow money and buy raw materials. A gradual fall in the price level cannot therefore injure a producer on his outstanding contracts to a very material extent. On the other hand, a gradual rise of prices exerts a socially undesirable effect on the distribution of income.

The question of deflation is not to be disposed of by showing that it will lead to unemployment. For it may be worth while to pay this price, not merely to "do justice to the *rentier*," but, e.g., to get back to a sound currency. Mr. Keynes rightly sweeps away certain arguments for deflation of doubtful validity; the real issue concerns pre-inflation contracts. When society has adjusted itself to the new level of prices, argues Mr. Keynes, "deflation is even worse than inflation. Both are 'unjust' and disappoint reasonable expectation," but deflation adds to the burden of the National Debt, at the same time that "the vast issues of War Loan have swamped the pre-war holdings of fixed interest-bearing stocks, and society has largely adjusted itself to the new situation." But it must be admitted, even by Mr. Keynes, that the holders of fixed interest-bearing stocks are not the only class affected; so that the comparison made by him is a little misleading. There are the owners of non-matured insurance policies; there are annuitants; the owners of rent charges and the like. Whether society has adjusted itself is a matter of fact to be decided by the evidence, but I should

¹ Subject, however, to the proviso that such a fall "does not diminish considerably the total productiveness of industry," though "one wants very much stronger statistical evidence than one yet has to prove that a fall of prices diminishes perceptibly *and in the long run* the total productiveness of industry." (C. 5512 of 1888, Q. 9816.)

² *Op. cit.*, pp. 148-9.

be surprised if it were really now a settled expectation that prices will remain permanently 70 per cent. to 80 per cent. above the pre-war level.¹

§ 4

Turning to Mr. Keynes' views on Monetary Theory, three points arise for discussion :

1. The reinterpretation of the Quantity Theory. Following the newer trend of thought,² the demand for money is defined as a demand for holding. Since the public requires immediate command over a certain collection of commodities, then, given the public holding at a certain moment, given also the collection of required commodities, the total holding of cash (n) must obviously buy the collection (k) at current prices (p), so that we get

$$n = pk.$$

"This is the famous Quantity Theory of Money. So long as k remains unchanged, n and p rise and fall together . . ." But this does not tell one whether changes in n cause changes in k , or whether changes in pk cause changes in n ; or whether a change in p can cause a change in n or k , or in both n and k . Equations always equate, but they throw very little light on causal sequence. As a matter of fact, Mr. Keynes, later in the chapter, points out various reasons why changes in n should affect k and thus modify the effect on p . But he does not deduce these explanations from the equation.

Mr. Keynes stretches his formula to cover bank deposits. A further volume of required commodities (k') is commanded by these deposits. Further, the banks hold a certain volume of cash, con-

¹ The doctrine of real and nominal rates of interest, first put forward by Prof. Irving Fisher, plays a leading rôle in Mr. Keynes' analysis of the reasons why inflation should result immediately in a "very beneficial" redistribution of wealth from the standpoint of the business man. The whole doctrine of real and nominal rates of interest appears to require restatement. Mr. Keynes uses it to enforce the point that by borrowing at a time when the value of money is falling, the lender loses, in *terms of commodities*, whilst the borrower gains, in *terms of commodities*. But does this justify one in describing the gain or loss as an interest-rate? If the lender of £1,000 had insisted on a "*wertbeständig*" basis and 5 per cent., then if the value of money halved, for £1,000 lent, he would be repaid £2,100. The "nominal rate" would be 110 per cent.; the "real rate" would be 5 per cent.; but would it not be better to say that the amount paid in interest was 5 per cent., together with a further amount sufficient to secure against loss of value of what was lent? It is not the lending that causes loss to the owner of money in a time of depreciation: he would have lost equally if he had not lent, but had not converted his holding of cash into a holding of goods. In that case also £1,000 would only be worth £500 after prices had doubled. No doubt losses so incurred can be stated in percentages, but the advantage of describing the losses as a negative rate of interest is doubtful.

² Mr. Keynes refers to the exposition contained in Marshall, *Money, Credit and Commerce*, but it is perhaps right to point out that the doctrine was put forward by Prof. Cannan in 1918 (*Money*, 1st edn., pp. 12, 13), and in 1921 (*Econ. Journal*, Dec., 1921).

stituting at any given moment a given ratio (r) of the deposits. The formula is then made to read

$$n = p(k + rk'),$$

n now including the cash of the banks (which must obviously be the remainder of the note circulation not held by the public, and is extended to cover "private deposits at the Bank of England"). rk' is the collection of commodities, then, which can be bought with the deposits which are covered by the cash held by the banks. But all this leaves one very much in the dark about the causal sequence, though Mr. Keynes gives reasons for thinking that a change in n will affect r , as well as k' . But is k' an independent variable?

2. This brings one to the doctrine of "real balances." Real balances are "balances in hand or at the bank measured in terms of purchasing power." If prices rise, my stock of cash in hand or my bank balance buys less, so that changes in prices being feared or experienced, I reduce them if their real value falls. Mr. Keynes next shows that between the period October, 1920, and October, 1922, prices fell in the ratio 1.5 to 1, " k rose from 230 to 300 and k' from 1,333 to 1,700, which means that the cash holdings of the public at the former date were worth $\frac{2}{3}$ and their bank balances $\frac{1}{3}\frac{2}{3}$ of what they were worth at the latter date. It thus appears that the tendency of k and k' to increase had more to do, than the deflation of cash had, with the fall of prices between the two periods."¹ Now all that we really know is that in the period in question a reduction in cash from 585 to 504 was accompanied by changes in p , k , and k' . Mr. Keynes' formula does not tell what the causal sequence is at all, and it is perfectly open to anyone to argue that the changes in p , k , and k' were all caused by changes in n . True, if when n fell from 584 to 504, k and k' had remained unchanged, p would have had a different value at the later date, but what Mr. Keynes has omitted to explain is whether, in the absence of changes in n , or p , k and k' do alter, in the short-run, which is all that matters in this connection.

3. As regards the foreign exchanges, Mr. Keynes announces his adherence to the "purchasing power parity" theory, but with considerable qualifications and exceptions. "If² . . . changes are taking place in the 'equation of exchange' . . . between the services and products of one country and those of another, either on account of movements of capital or reparation payments, or changes in the relative efficiency of labour, or changes in the urgency of the world's demand for that country's special products, or the like, then the equilibrium point between purchasing power parity and the rate of exchange may be modified permanently." A for-

¹ *Op. cit.*, p. 84. The present writer may perhaps be permitted to say that he drew attention to the significance of changes in the "real balances" at the banks of certain important countries in the *Manchester Guardian Commercial Banking Supplement* of August 2nd, 1923, where some interesting changes can be studied statistically.

² *Op. cit.*, p. 97.

midable list of qualifications, indeed! One wonders whether at any time any single country is exempt from the operation of some one of these factors.

Mr. Keynes in his illustration deals with a modification in the "equation of exchange." In the country adversely influenced thereby, imported commodities rise above the general price level and still more above the level of prices of the home produced commodities; in the favoured area imported commodities rise less than the average of all commodities and still less than the prices of home produced commodities. The favoured area's currency in general buys less than the currency of the unfavourably affected area, and the purchasing power par altered in favour of the latter; whereas the rate of exchange, compared with 1913, is against it. "If the worsening of [the] equation of exchange . . . is permanent, then its purchasing power parity (on the 1913 basis) will also remain permanently above the equilibrium value of the market rate of exchange."

I confess that this argument leaves me hesitant but unconvinced. The only condition which must be laid down is the alteration of the ratio of interchange. Then if the ratio has altered 10 per cent., 100 units of the goods of one of the areas must buy 110 units of the goods of the other. The goods will then have to be sold at prices which will allow this ratio to be maintained and at the same time balance the "balance of indebtedness." If the purchasing power par has altered in favour of one country, and the ratio of interchange in favour of the other, the *prices* at which the goods will be sold will be modified in both areas, and so may the number of units sold, but I cannot see any reason why the *rate of exchange* should permanently remain below the purchasing power par, if it has once fallen below it. This is only true on the assumption that the prices of the imported goods in both areas are also fixed, as in Mr. Keynes' illustration.

r

§ 5

In the last third of his book, Mr. Keynes deals with current issues. He is in favour of devaluation as against deflation, on the ground that deflation is in any case accompanied by disastrous changes in the distribution of wealth and is impossible for those countries, the currencies of which are highly disorganized. It is, therefore, better to look facts in the face and stabilize at present levels. But stabilization is, of course, consistent with a return to the gold standard or with the continuance of managed currencies, and Mr. Keynes is in favour of the latter course. Gold, he says in an already celebrated sentence, is "already a barbarous relic." The grounds for refusing to return to the gold standard can be summed up thus:

The future of gold is uncertain. The U.S.A. has in fact turned gold into a managed currency and if this country were to return to the gold standard, we would be in fact dependent upon the gold

policy of the Federal Reserve Board. There is even, according to Mr. Keynes, a danger that the United States, finding the policy of locking up gold too expensive, may partially demonetize gold. If it is objected to Mr. Keynes' line of argument that if we return to the gold standard, the United States would not be the sole authority controlling the value of gold, Mr. Keynes replies that "the preponderance of power" will still belong to the Federal Reserve Board, and if it is further objected that a return to the gold standard by this country will naturally influence other countries to do the same thing, Mr. Keynes' reply is that that hardly alters the situation very much, because the gold standard is at the best a half-hearted one. In these days of gold exchange standard and a system of the plentiful use of paper money as substitutes for gold in circulation, gold has necessarily a highly artificial value. The central banks are, in fact, even under a gold standard, the real arbiters of the price level.

One may question whether the influx of gold into the United States has really been accompanied by such a complete loss as Mr. Keynes imagines. What seems to be the real situation, to judge from the last report of the Federal Reserve Board, is that part of the new gold has reduced the demand of the member banks on the Federal Reserve Banks themselves, whilst to another extent the new gold has replaced interest-bearing assets in the hands of the Federal Reserve Banks. Certainly to hold gold is a costly policy for the Federal Reserve Banks. But is it likely that the Federal Reserve Banks will see one of their most important assets greatly reduced in value without a determined struggle to keep the value of this asset up? Nothing is more likely than that the United States will assist the return to a gold standard in those European countries which are now reforming their currencies rather than assist in a further depreciation in the value of gold.

But it must be confessed that Mr. Keynes shows very clearly that there is no mystical virtue in a gold standard. The belief that gold has a kind of intrinsic value must be abandoned, though it is interesting to see that Mr. Keynes in the first portion of his book points to the practical stability which the value of gold possessed in the nineteenth century. Certainly that value fluctuated, but it fluctuated over long periods of time, and we who have seen currencies go to almost nothing in value in a period of twenty-four months or even less may well think that the instability of gold is nothing as compared with the instability of paper money. It is true that Mr. Keynes thinks that, if we definitely pin ourselves to a managed currency, that will enforce a sense of responsibility which is lacking so long as there is a pretence that sooner or later the gold standard will be restored. I doubt this very much. There are too many interests always on the side of inflation to make it at all likely that even a central bank, robbed of the steadying influence of the gold standard, will be able to keep a currency on a stable basis in terms of commodities for long periods of time. The central banks of

Europe which have recently stabilized their currencies have in fact had an exceedingly easy task. The value of their currency had fallen to such a low point that it was in fact possible to keep the new issues at par with the dollar whilst increasing greatly the internal circulation of money. The real test will come when world parity in prices has been reached and when the flow of new notes from the printing press will have definitely to be stopped.

The question of whether internal stabilization is to be preferred to external stabilization is answered by Mr. Keynes unfavourably to exchange stabilization, if that is inconsistent with price stabilization. The answer which is the more desirable must of course vary with the importance of the international relations of the country in question, but if one believes that internal stabilization by means of a managed currency is in any case dubious, the desirability of the adoption of a currency which will stabilize exchange rates becomes more than ever clear.

The last chapter of the book is concerned primarily with the mechanics of the London market. Mr. Keynes believes that the ultimate governors of the price level of the United Kingdom are the Treasury and the Bank of England. The Treasury assists in controlling the price level by varying the volume of treasury bills. If these contract then the second line reserve of cash held by the joint stock banks is diminished and consequently their ability to lend is reduced. This, of course, is the current doctrine which believes that the treasury bill is somehow or other different from other forms of Government security and different from an ordinary commercial bill. Of course, every time a bank invests in a bill it can, by allowing these bills to run out, increase its reserve of cash, and it is really very doubtful whether the treasury bill is any way peculiar in this respect. Mr. Keynes argues that if treasury bills run out, the banks can "compel" the creation of further currency notes. In a sense it may be true that if all the banks asked for repayment of their treasury bills in cash, and all the treasury bills fell due at a given moment of time, a pressure on the currency note might be exerted, but there is no reason to suppose that the banks *will* all ask for their treasury bills to be cashed in notes simultaneously, and that being so there is no reason why the gradual running out of treasury bills should not be met by a gradual accumulation of treasury notes by the Government, out of the notes flowing back from circulation. But this doctrine of treasury bills is in any case much less important than Mr. Keynes' views as to the nature of the Bank of England's business. Mr. Keynes believes that the liabilities of the bank expand with an expansion of its assets, and not, as most people would think, that the assets expand with an expansion of the liabilities. No doubt, Mr. Keynes is influenced in his belief that the fluctuation in the assets of the Bank of England is capable of controlling the price level by the scepticism which he evidently has of the power of the discount rate to control the price level, for as he says on p. 23, "the

short-money rate of interest has rarely risen above 10 per cent. per annum or fallen below 1 per cent., and a fluctuation of this order is not sufficient to balance a movement of prices up or down of more than 5 per cent. per annum, a rate which the actual price movement has frequently exceeded." There is, of course, no reason to doubt that, if the Bank of England holds, let us say, 100 millions of a particular security and sells this security in the open market, it can for the time being influence the rates in the London money market. It was, in fact, part of the traditional equipment of the Bank of England that it should pursue this policy whenever market rates did not rise sufficiently to cope with an unfavourable state of the foreign exchanges, but, of course, the money which the Bank of England got in in this way it re-lent to those members of the open market who were driven to the Bank by the decline in the lending capacity of the joint stock banks. It may also be true that if the bank refuses to re-lend, it may for the moment, by causing market stringency, affect the *current* direction of price movements. That is to say, the fluctuation upwards or downwards may to some extent be modified by this action, but this is surely a very different thing from implying that the long-period trend in the price movement can be controlled in this manner.

As a matter of fact, Mr. Keynes' advice on p. 189 as to what "it would at least be possible to avoid," can be followed even by those who are sceptical of the general position which Mr. Keynes has taken up, because all that he there really says is that we should not allow the value of bank deposits to rise too quickly by reducing cash or fall too quickly by increasing cash. A currency policy which is based upon the idea of stabilization will allow real balances to look after themselves quite well.

Lastly, there is one point of detail upon which I am sceptical. Mr. Keynes believes that the Bank of England should so far adhere to the policy of the gold standard as to offer a buying and selling price for gold. I cannot see how this policy can be pursued without some effect upon the price structure in the United Kingdom, if Mr. Keynes' standpoint is in general justified. If the bank buys gold it increases its liabilities. If the bank sells gold it decreases its liabilities, because, of course, the buying of gold increases deposits at the bank and the selling of gold decreases deposits at the bank, according to the general point of view taken up by Mr. Keynes. Under these circumstances you do not get away from the gold standard greatly by varying the price of gold from time to time. Some further light upon this aspect of the question would be extremely desirable.

§ 6

The other writers on the list must, I am afraid, be treated more summarily. Mr. Bellerby's little book does not pretend to originality.

It is a brief, and a well-arranged brief at that, for the cure of unemployment by the control of the trade cycle, and the author can summon many distinguished authorities to his side. Occasionally there seem to be slips in the argument for which the author himself is responsible: on p. 106, Mr. Bellerby seems to imply that the bank rate is made effective, in this country, because a rise "discourages further borrowing of cash by banks." This is inaccurate as an expression of market mechanics, because the joint stock banks do not borrow cash at the bank, and it is misleading because a rise in the official rate, by raising the rate paid on time-deposits, attracts cash to the banks *from* the public.

Again, on p. 108, one reads: "The level of prices is a factor of the greatest importance in determining the volume of credit required, and thus the indebtedness of the business community to the banks and of the banks to the central institutions." If this is so, what becomes of the argument that it is the lending policy of the banks which is *responsible* for the rise of prices?

Mr. Hawtrey is not only a formidable dialectician, but has rendered immense services by the historical chapters of his *Currency and Credit*, the second revised edition of which is now available. Apart from the rewritten Chapters XIII and XIV (War Finance and War Inflation), the new feature is a further note in two parts, dealing with the actual course of events, comparing them with what was predicted when the book was first published, the second part of the note dealing with the problem of international indebtedness. Mr. Hawtrey attempts an analysis of the now familiar problem: what happens if a country *budgets* for a given volume of external payments, but cannot create the necessary *export surplus*. Mr. Hawtrey answers that if the surplus cannot be created there will be a permanent divergence of rates of exchange from purchasing power parity; for "so long as the Government goes on buying exchange, the premium on foreign currencies grows. But exports do not respond to the stimulus, or at any rate, the increase of exports and shrinkage of imports between them remain insufficient." Hence the divergence. But why should not a Government offer to buy unlimited amounts of foreign exchange at a fixed price, keeping its local price level at the point necessary to equilibrate internal and external prices? If the Government buys exchange at a premium, *ex hypothesi* it gets no more than before, because the exchange is not there to get. If it does get more exchange, then obviously the export surplus is *extensible*.

Mr. Hawtrey, unlike Mr. Keynes, believes in the retention of the gold standard. His standpoint is perhaps more characteristically displayed in his *Monetary Reconstruction* than in his more formal treatise, because the former book consists of reprints of papers written at various dates, and thus there is a repetition of expressions of principle which once stated in a large work tend to get lost in a maze of detail. Mr. Hawtrey is a haunted man: the "instability

of credit " and the dangers which flow therefrom are an ever-present reality to him. But his obsession, I think, has led him greatly to overstress the primacy of credit in the determination of prices, and the efficacy of bank rates to control the price structure. No doubt the note and reserve policy of banks of issue influences the value of gold, in the sense that if the banks absorb more gold they keep its value up by demanding more or less of it, though their position in this respect does not substantially differ from that of other demanders of gold. No doubt the existence of alternative media of payment keeps the value of gold lower than if the value of gold were not influenced by the presence of such media. Even under the gold standard the gold and currency policy of banks is thus an important feature, but to place all the emphasis on " credit " is to argue, for instance, that the rise of prices between 1896 and 1914 was primarily due, not to more South African gold, but to " credit-creation," which seems to me quite unreasonable. Moreover, the discount rates *were* inefficacious ; else why did the rise take place ? If they could not stop the moderate gradual rise which did take place, it seems that the post-war scepticism about the efficacy of the discount rates of which Mr. Hawtrey complains on p. 120 does not seem so very unreasonable after all ; especially if one takes into account experiences like those of Germany. Mr. Hawtrey, writing, it is true, before those experiences, argues that bank rate is effective because " it is not the *past* rise of prices but the *future* rise that has to be counteracted. The problem is a psychological one. As soon as the rate is high enough to offset the traders' hopes of future profits it becomes deterrent." No doubt, but what do the " traders' hopes " themselves depend on ? Mr. Hawtrey argues that they depend on the action of the authority itself. " If that authority means business, and can be relied on to push up rates relentlessly till they become deterrent, the *mere expectation* that this will happen may make quite a moderate rate adequate." This seems to me to be perilously near arguing that the authority will be successful in proportion as it is successful. The authority can prevent people from borrowing more—and the whole matter turns on how far people can be stopped from borrowing—if they think that the rise won't go in any case very far and it is better not to be caught by the storm. The authority won't stop people borrowing if they think the rise will go on. It is not the rise in the rate which influences people's views about the rise of prices, but the rise of prices which influences their views about the deterrent effect of the rate. The business world in pre-war days did not expect prices to go on rising for ever (the long-period trend was not a day-to-day factor) ; and took in sail as bank rates rose. But that was not the cause of the prices ceasing to rise, in the sense that the expectation that prices would fall was governed by the rise in bank rate. *The expectation that prices would sooner or later fall was there all the time* ; the rise in the bank rate was a sign that it was time to be cautious as regards commitments. Business men argued

from experience ; the ultimate fact which justified their faith was the gold standard, which prevented central banks of issue from pursuing a monetary policy which would have imperilled the gold standard. The fact that a single country following a policy of inflation more markedly than the others lost gold to those others, made for a real though unacknowledged unification of policy ; and, further, the legal constitution of those banks made inflation difficult. A moderate bank rate may act as a deterrent under these circumstances to further borrowing, because it worked in an environment which placed a limit to the rise of prices caused by inflation. If the *only* limit is the bank rate itself, may Heaven preserve us from the experiences of Germany in the autumn of 1923!

Agreements in Restraint of Trade

By ARNOLD D. MCNAIR

RECENT years have witnessed some important judicial pronouncements upon this subject, and a short statement of the present legal position of these agreements may be of interest. Certain agreements or promises whereby a man fetters the direction of his skill or strength into the best market are held by the law to be void and unenforceable because they involve an "undue" restraint of trade; others, while definitely imposing some restriction, do not offend against the legal test and are enforced. What is the basis of this jurisdiction? What is the test to be applied? As regards the former of these questions, agreements in undue restraint of trade form only a part of a larger group, namely, agreements which, for one reason or another, are contrary to public policy,"¹ that is, prejudicial to the public interest without, as a rule, being definitely criminal, and to which, therefore, the law will not lend its aid. A few general observations upon the nature of this jurisdiction will not be out of place.

The history of the administration of justice shows that whatever courts may be established by the Crown, there always remains in the Crown a residue of jurisdiction not fully exhausted by existing courts and capable, when through changing circumstances those courts prove inadequate, of supplying fresh organs for the administration of justice without supplanting those already in existence. Thus the equity of the Chancellor's jurisdiction which came to be administered in the Court of Chancery supplemented without supplanting the courts of common law, and the criminal equity of "the King's Council sitting in the Star Chamber"² supplemented without entirely supplanting the ordinary criminal courts, and but for the excessive zeal which its administrators displayed under and on behalf of the first two Stuarts might have survived in company with the equity of the Chancellor.

¹ It must be clearly understood that in this connection the expression "public policy" has acquired a meaning which, if difficult to define, is nevertheless technical, for "Every important principle which is developed by litigation is in fact and at bottom the result of more or less definitely understood views of public policy; most generally, to be sure, under our practice and traditions, the unconscious result of instructive preferences and inarticulate convictions, but none the less traceable to views of public policy in the last analysis."—Holmes, *The Common Law*, pp. 35-6.

² Pollock, *Expansion of the Common Law*, pp. 82-90.

Similarly, it would seem, the common law has, at any rate for a long time past, been prepared to leave in the hands of its judges a certain undefined residuary discretion constantly being brought to the point of definition, and as constantly defying it. But for the development of the Chancellor's equity jurisdiction there can be little doubt that this residuary discretion would have been much larger. By undertaking cases of "conscience" and becoming a specialist in what the conscientious man ought to do or not to do, the Chancellor relieved¹ his judicial colleagues of what would otherwise have developed into one of the most subtle and difficult parts of their judicial duties. But neither the Chancellor nor the Legislature could entirely relieve the common law judges of the necessity of a certain amount of "slack rope" or residuary discretion to fall back on and to make use of in cases where they were not bound by statute or by precedent. At the same time the jurisdiction to refuse the enforcement of contracts on the ground of "public policy" is not arbitrary, and it would be incorrect to apply to it Selden's remark regarding Equity, that it is "a roguish thing" and "according to the Conscience of him that is Chancellor, and as that is larger or narrower, so is Equity." The scope of "public policy" is a matter of discretion, but of a judicial discretion regulated according to principle and not dependent on caprice. When the standard of public policy seems about to become dangerously lax, we find it being checked by a reminder such as was uttered by the great Master of the Rolls, Sir George Jessel, in 1875²:

"It must not be forgotten that you are not to extend arbitrarily those rules which say that a given contract is void as being against public policy, because if there is one thing which more than another public policy requires, it is that men of full age and competent understanding shall have the utmost liberty of contracting, and that their contracts when entered into freely and voluntarily shall be held sacred and shall be enforced by courts of justice. Therefore, you have this paramount public policy to consider—that you are not lightly to interfere with this freedom of contract."

Nevertheless, the exercise of this judicial discretion over a long period of time illustrates the fact that judges, while administering the law, are the creatures of their country and their period, and within the limits of judicial discretion permitted to them by the law almost unconsciously reflect the public opinion and atmosphere which surround them. Speaking of this question of undue restraint of trade Lord Justice Younger said³: "We are here dealing with a branch of the law which has at all times been peculiarly susceptible to influence from current views of public policy."⁴

¹ The justification for saying "relieved" is manifest from a perusal of Professor Hazeltine's account of "the early equity of the common law courts" in *Essays in Legal History*, XIII, "The Early History of English Equity," 1913, Oxford University Press.

² *Printing, etc., Co. v. Sampson* (1875), L.R. 19 Eq., at p. 465.

³ *Attwood v. Lamont* [1920], 3 K.B., p. 581.

⁴ The history of the policy of the Courts in this matter will be found in the judgments of Lindley and Bowen, L.J.J., in the *Nordenfellt Case* [1893], 1 Ch.

Recent decisions of the House of Lords have necessitated a revision of previously accepted views on the subject, and the judgment of Younger, L.J., in *Attwood v. Lamont*,¹ must be regarded as at once the first-fruits of the change and the most lucid interpretation of the new policy.

At the outset a distinction must be drawn between, on the one hand, restrictive covenants given by a vendor of the goodwill of a business to his purchaser,² and, on the other hand, those given by an employee to his employer upon his engagement. It is principally the latter class that have been affected by recent decisions, and are now the object of a judicial scrutiny which is benevolent from the servant's point of view. But in the case of both classes the public has this interest, that for the sake of efficiency and economy every person should have the utmost freedom to ply his trade or practise his profession, which is consistent with the necessary protection of a purchaser or a master. How, then, is the law to reconcile these conflicting principles, to find in each case a just solution of "the conflict between the sanctity of contract and the right to work"?³

The solution differs in the two different cases of the vendor's and the employee's restrictive agreements or covenants. ("Covenant" strictly denotes a promise under seal, and as these promises in restraint of trade are so frequently made by writing under seal, it is both common and convenient to speak of "covenants in restraint

630, in a Memorandum by the late Sir John Macdonell contained in the Report of the Committee on Trusts, 1919 (Cd. 9236), price 6d., and in *Pollock on Contracts* (9th edn.), pp. 426 *et seq.*, and may be briefly summarized as follows : (i) Up to and including the reign of Elizabeth all restraints of trade, whether general or partial as to space, were held contrary to public policy and void ; (ii) during the sixteenth century the current of authority set in favour of upholding restraints which were partial as to space provided that they were reasonable and that adequate consideration existed, while all general restraints, i.e. those unrestricted as to space, must be bad (*Mitchel v. Reynolds* (1711), 1 Sm. L.C. (12th edn.), p. 458), and "a limit in time does not, by itself, convert a general restraint into a partial one" [1893], 1 Ch., at p. 662 ; (iii) during the nineteenth century the rule that all restraints general as to space must be invalid gradually gave way to the changing conditions of commerce and communications, until at last in the *Nordenfelt Case* in 1894, the House of Lords gave their approval to the new doctrine by deciding that a restraint of trade which is unlimited as to space is not necessarily invalid, and will be upheld if it is reasonable with reference to the interests of both the contracting parties and of the public ; (iv) the chief feature of the twentieth century so far is the emphasis which is being laid upon the necessity of a stricter test of reasonableness in cases of master and employee than in cases of vendor and purchaser (*Mason v. Provident Clothing and Supply Co.* [1913], A.C. 724 ; *Morris v. Saxelby* [1916], 1 A.C. 688 ; *Attwood v. Lamont* [1920], 3 K.B. 571). Thus Sir Frederick Pollock points out (*Contracts*, 9th edn., p. 424) that "the common law, without aid from legislation and without manifest discontinuity [has] practically reversed its older doctrine in deference to the changed conditions of society and the requirements of modern commerce."

¹ *Supra*.

² Including as a sub-variety covenants given by a retiring partner who is being paid out to those who are continuing to carry on the business.

³ Per Astbury, J., in *Hepworth v. Ryott* [1920], 1 Ch., at p. 9.

of trade," but it must not be thought that in this case the presence of a seal will render enforceable a promise which would not be enforced if not under seal.)

(a) *Vendor's Covenants*.—The vendor of the goodwill of a business has sold something, and the dominant principle is that he must not "derogate from his own grant." So without giving any restrictive covenant he may be restrained by injunction from soliciting his former customers. To do so would be a fraud on his contract of sale. But there is nothing to prevent the vendor from opening new premises next door to his old place of business, and there continuing to carry on the same business, dealing with any of his old customers who may choose of their own free will to resort to him.¹

That is the position in the absence of any covenant restraining the vendor's trading activities, and consequently a well-advised purchaser stipulates for a restrictive covenant from his vendor as part of the consideration for the purchase-money. Indeed, without giving such a covenant a man who has a business to sell would not get the best value for it. The wider the covenant in point of space, the longer in point of time, the better the purchaser is pleased; and a vendor who is looking forward to a long spell of well-endowed and perhaps well-earned leisure and does not realize how extremely irksome leisure may become, is often prepared to gratify his purchaser's most extravagant demands. And if they were the only parties concerned, no great harm would be done. But there is another interested party—the public. How, then, are these conflicting interests to be reconciled? The answer is found in the test formulated by Lord Macnaghten in the *Nordenfelt Case*,² namely, that the restraint must be "reasonable in reference to the interests of" [both³] "the parties concerned and reasonable in reference to the interests of the public." And this tripartite test must be applied whether the restraint is partial or general as to space. So in the *Nordenfelt Case*,⁴ where a vendor (who became the managing director of the purchasing company)⁵ sold his business of a manufacturer of guns, ammunition, etc., and covenanted with the purchasing company not in any part of the world⁶ for twenty-five years except on behalf of the purchasing company to "engage in the trade or business of a manufacturer of guns, gun mountings or carriages, gunpowder, explosives or ammunition, *or in any business competing or liable to compete in any way with that for the time being carried on by the company*," the Court of Appeal (after severing and setting aside the part of the covenant italicized as being too wide) upheld

¹ *Trego v. Hunt* [1896], A.C. 7 (including the case of the outgoing partner).

² [1894] A.C., at p. 565.

³ See Lord Atkinson, in *Morris v. Saxelby* [1916], 1 A.C., at p. 700.

⁴ [1894] A.C., at p. 565.

⁵ But it is clear (see pp. 541 and 560) that the case is treated as one of vendor and purchaser.

⁶ This expression did not appear in the covenant, but it was unlimited in point of space.

the remainder as being reasonable in the circumstances, though general in point of space, and restrained the vendor from engaging in the business of the manufacture of guns and ammunition in Belgium. This decision was affirmed by the House of Lords. (We shall deal with the severability of covenants in due course.) This case illustrates the failure of an attempt frequently made by a purchaser acquiring a business to obtain from his vendor a covenant which exceeds the scope of the business actually purchased. To the extent of the excess, such a covenant is really a covenant in gross, that is, not appurtenant to a business, and "a covenant in gross against trading, however great the consideration, is void."¹ Such a covenant is equally objectionable as between employer and servant and as between vendor and purchaser. The former class of case is illustrated by *Henry Leatham and Sons v. Johnstone-White*,² where the Court of Appeal declared void a restrictive covenant entered into by a commercial traveller with one principal and five subsidiary companies in which, though the servant of one only of the subsidiary companies, he undertook not, after the termination of his service, to do anything that might compete with any of the six companies; and by *Attwood v. Lamont*,³ which we discuss later; and the latter has received a recent illustration in *British Concrete Co. v. Schelff*,⁴ where the court refused to enforce the covenant of a vendor of a business of the sale of road reinforcements that he would not be concerned in the sale or manufacture of road reinforcements, though a covenant confined to their sale would, if otherwise free from objection, have been valid.

(b) *Employee's Covenants*.—Here what has been called the "paternal consideration"⁵ comes into play, and in addition to the test of reasonableness we find that certain other factors must be considered, for "in a contract of service there is a less freedom of negotiation" (than between vendor and purchaser), "and a far greater risk of oppression," so that "the court ought to guard more carefully the interests of the covenantor,"⁶ i.e. the employee.

Apart from any restrictive covenant, what is the position of an employee after the termination of his employment? He is free to enter the same line of business as his former master's, either on his own account or as the employee of another, and may open a shop or an office next door to his master's. He may even solicit his master's customers,⁷ but he must not copy out for his own purposes from his master's books a list of the master's customers and then make use of it when his service comes to an end, for that would be a breach of the good faith and confidence which is implicit in every contract of employment.⁸ Nor, for the same reason, may he make

¹ [1921] 2 Ch. at p. 576.

² [1920] 3 K.B. 571.

³ By Phillimore, L.J., in *Morris v. Saxelby* [1915], 2 Ch., at p. 82.

⁴ Per Lord Cozens-Hardy, M.R., *ibid.*, at p. 77; see also [1916], 1 A.C. 688.

⁵ *Irish v. Irish* (1889), 40 Ch.D. 49. ⁶ *Robb v. Green* [1895], 2 Q.B. 315.

⁷ [1907] 1 Ch. 322.

⁸ [1921] 2 Ch., 563.

use for his own purposes of any secret recipe or formula or other information which has been imparted to him, expressly or by implication, under the seal of confidence during the period of his employment, whether the information is actually reduced into writing by him or merely stored in his memory.¹

That being the position in the absence of any covenant, it can well be understood that a master may be anxious to get some better protection against the competition of his employees after the termination of the employment, either on their own account or in the service of rival traders. How far will the modern cases allow the master to go?

(1) The employee's covenant must satisfy the tripartite test of reasonableness laid down by Lord Macnaghten in the *Nordenfelt Case*—reasonableness in reference to the interests of the master, the employee, and the public ;²

(2) "An employer is not entitled by a covenant taken from his employee to protect himself after the employment has ceased against his former servant's competition *per se*, although a purchaser of goodwill is entitled to protect himself against such competition on the part of his vendor. . . . An employer may not, after his servant has left his employment, prevent that servant from using his own skill and knowledge in his trade or profession, even if acquired when in the employer's service. That skill and knowledge are only placed at the employer's disposal during the employment."³ So it is put by Younger, L.J., in *Attwood v. Lamont*.

Lord Parker, in *Morris v. Saxelby*, puts the same point as follows : "The only reason for upholding such a restraint on the part of an employee is that the employer has some proprietary right, whether in the nature of trade connection or in the nature of trade secrets, for the protection of which such a restraint is—having regard to the duties of the employee—reasonably necessary. Such a restraint has, so far as I know, never been upheld, if directed only to the prevention of competition or against the use of the personal skill and knowledge acquired by the employee in his employer's business."⁴ Accordingly, in *Bowler v. Lovegrove*,⁵ the court declined to enforce a covenant by the clerk of a firm of auctioneers and estate agents, that he would not for the period of one year after the termination of his service "directly or indirectly assist as clerk, manager, or in any other capacity, in the carrying on of such business within the borough of Portsmouth or in the town of Gosport," on the ground (among others) that this was an attempt to prevent the clerk's

¹ *Amber Size and Chemical Co. v. Menzel* [1913], 2 Ch. 239.

² A recent illustration of a covenant which the courts declined to enforce as exceeding what was reasonably required for the employer's protection will be found in *Hepworth Manufacturing Co. v. Ryott* [1920], 1 Ch. 1, where a film actor was discharged from a covenant not to make use of a pseudonym under which he had made his reputation.

⁴ [1916] 1 A.C., at p. 710.

⁵ [1921] 1 Ch. 642.

competition *per se* and not merely to protect his late employers from a misuse of his acquaintance with their customers or from an undue invasion of their trade connection. But, where the circumstances are such that the employee by reason of the nature of his employment is brought into intimate and confidential contact with his master's clients or customers, it may well be that the only way to protect the master from a subsequent abuse by the employee of this special relationship is the enforcement of a restrictive covenant excluding the employee on the determination of the employment from an area surrounding the place of business. Thus, in *Fitch v. Dewes*,¹ the House of Lords enforced against a solicitor, the managing clerk of the plaintiff, another solicitor, a covenant whereby the managing clerk agreed that he would not, on the expiration of his agreement of service, "either alone or jointly with any other person or persons, directly or indirectly be engaged or manage or concerned in the office, profession or business of a solicitor within a radius of seven miles of the Town Hall of Tamworth"—the restriction being unlimited in point of time. It is clear that the managing clerk who had been employed by the plaintiff in that and humbler capacities for a period of twenty years had been brought into the most intimate contact with the plaintiff's clients; so the plaintiff was, in the opinion of their lordships, entitled for his protection to enforce the restrictive covenant and so prevent his managing clerk from using "the intimacies and knowledge which he had acquired in the course of his employment in order to create a practice of his own in that same place and by doing so undermine the business and the connection of the (plaintiff)." This is a strong case, particularly in view of the absence of any time limit for the restriction, and it is necessary to direct attention to the exceptionally confidential and intimate character of a solicitor's relations with his clients.

To sum up then, the master is entitled to enforce his employee's covenant protecting him "from injury by misuse of the employee's acquaintance with customers² or knowledge of trade secrets," but not against his employee's competition *per se*.

(c) *Severance of Covenants*.—Numerous cases will be found³ where

¹ [1921] 2 A.C. 158.

² It seems probable from *Mason v. Provident Clothing and Supply Co.* [1913], A.C. 724, that where such misuse could only be safeguarded against by a covenant restraining the servant from working in the strictly limited area of his operations during the employment, such a covenant would not be bad. See Viscount Haldane, L.C., pp. 730-1. *Fitch v. Dewes*, *supra*, goes a good deal further than this.

³ Thus covenants have been held severable as to place, e.g. in *Goldsoll v. Goldman* [1914], 2 Ch. 603, by striking out places on the Continent and enforcing the restriction as to the United Kingdom; as to class of business, e.g. in *Bromley v. Smith* [1909], 2 K.B. 235, by striking out the businesses of hay, straw, and corn merchant and manufacturer of flour and meal and confining the restriction to the making of bread and confectionery; and as to class of customer not to be solicited, e.g. *Dubowski v. Goldstein* [1896], 1 Q.B. 478, by striking out "future customers" and enforcing the restriction as to those

restrictive covenants, which are usually very comprehensive in form and comprise several clauses, have been severed by the courts, rejecting the part that is too wide and enforcing only that which is reasonably necessary. We have already seen one such instance in the *Nordenfelt Case*. But that process has now received a check, and will only be permissible to the court "where the covenant is not really a single covenant, but is in effect a combination of several distinct covenants,"¹ or, putting it in another way, "where the two parts of a covenant are expressed in such a way as to amount to a clear severance by the parties themselves, and as to be substantially equivalent to two" (or more) "separate covenants."²

As regards covenants by employees with their masters, Lord Moulton has said: "It would in my opinion be *pessimi exempli* if, when an employer had exacted a covenant deliberately framed in unreasonably wide terms, the courts were to come to his assistance and, by applying their ingenuity and knowledge of the law, carve out of this void covenant the maximum of what he might validly have required."³ So where a man who was cutter and head of the tailoring department of a general outfitter's business at Kidderminster covenanted not at any time after leaving his employment and not in any way to be concerned "in the trade or business of a tailor, dressmaker, general draper, milliner, hatter, haberdasher, gentlemen's, ladies' or children's outfitter at any place within a radius of ten miles of " Kidderminster, the Court of Appeal refused to sever the covenant and two members of the Court added that even if it were capable of severance by confining it to the tailoring trade it would nevertheless remain a covenant against competition only, and therefore invalid.⁴

The question of the applicability of new principles governing severance not so much enunciated as focused and made clear by *Attwood v. Lamont* to covenants between vendor and purchaser, was expressly left open by Younger, L.J.⁵ But in a later decision,⁶ Astbury, J., showed no reluctance to apply them to such covenants and was not prepared to sever an excessive covenant not to be "concerned or interested in or act as servant of any person concerned

who were the master's customers during the employment. And see other cases cited in 1 Sm. L.C. (12th edn.), p. 484. But decisions on severability must now (at least in cases of master and employee) be regarded as instances rather of the subject-matter of a severable covenant than of the form of covenant which may be severed, for the new test laid down in recent House of Lords cases and elucidated in *Attwood v. Lamont* is much stricter and less favourable to severability than the former so-called "blue pencil" test.

¹ Per Younger, L.J., in *Attwood v. Lamont* [1920], 3 K.B., at p. 593. See also Lord Moulton, in *Mason's Case* [1913], A.C., at p. 745.

² Per Sargant, J., in *Nevanas and Co. v. Walker* [1914], 1 Ch., at p. 423; approved by Lord Sterndale, M.R., in *Attwood v. Lamont* [1920], 3 K.B., at p. 578.

³ *Mason v. Provident Clothing and Supply Co.* [1913], A.C., at p. 745.

⁴ *Attwood v. Lamont* (*supra*).

⁵ [1920] 3 K.B., at p. 593.

⁶ *British Concrete Co. v. Schelff* [1921], 2 Ch. 563.

or interested in the business of the *manufacture or sale* of road reinforcements" by striking out the words "manufacture or."

(d) *Mode of Enforcement*.—The usual method of enforcing a valid restrictive covenant is by an injunction with or without an award of damages, and the fact that a restrictive covenant is under seal (as it usually is) in no way precludes the court from applying to it the principles above discussed. If a master commits a breach of the contract of employment by dismissing his employee without just cause during the course of it, then his breach has, in accordance with the general principles of the law of contract, the effect (amongst others) of releasing the employee from any restrictive covenant to which he was a party.¹

Miscellaneous.—The law relating to trade unions affords another illustration of the operation of the common law doctrine of undue restraint of trade, but that is another and a long story. Closely connected with the same doctrine is the instinctive repugnance of the common law to any agreement containing provisions which savour of slavery, at least since Lord Mansfield delivered the judgment of the Court of Common Pleas in *Sommersett's Case*² in 1772, when a negro slave was released on a writ of *habeas corpus* from the custody of the master of a ship lying in the Thames and bound for Jamaica. "The law of England allows a man to contract for his labour, or allows him to place himself in the service of a master, but it does not allow him to attach to his contract of service any servile incidents—any elements of servitude as distinguished from service."³ Such incidents attached to any other kind of contract are equally objectionable and unenforceable, and so, where a borrower from a money-lender agreed that he would not, while any moneys remained unpaid, leave his present employment or change his residence or part with any furniture or in any way pledge his credit without the money-lender's consent, and in fact put himself "almost body and soul in the power of this money-lender," the Court of Appeal refused to enforce any part of the agreement, holding it to be contrary to public policy and unenforceable.⁴ But covenants in restraint of personal freedom imposed by a father upon a son for valuable consideration in order "to save his son from ruin and to induce him to become, if possible, an honourable and useful citizen" have been upheld.⁵ Moreover, a contract to serve a particular employer during the whole of the remainder of the servant's life in

¹ *General Billposting Co. v. Atkinson* [1909], A.C. 118. A winding-up of a company has the same effect upon a director's contract of employment for an unexpired term of years. (*Measures Brothers Ltd. v. Measures* [1910], 2 Ch. 248.)

² 20 State Trials, 1.

³ Per Bowen, L.J., in *Davies v. Davies* (1887), 36 Ch.D., at p. 393; cited by Lord Cozens-Hardy, M.R. [1917], 1 K.B., at p. 312.

⁴ *Horwood v. Millar's Timber and Trading Co.* [1917], 1 K.B. 305.

⁵ *Denny (Trustee) v. Denny and Warr* [1919], 1 K.B. 583.

consideration of the payment of a weekly sum as remuneration is not necessarily servile and has been upheld.¹

The strong bias of the law in favour of freedom of trade and liberty in general is well illustrated by the cases cited in the course of these remarks.

¹ *Wallis v. Day* (1837), 2 M. and W. 273.

Institutional Revenue

By H. D. DICKINSON

THE influence of social institutions upon the distribution of wealth is generally admitted in works on economics, and rarely thought of after its first formal mention in the introductory chapter. Property, inheritance, economic freedom and its limitation, state organization, labour organization: these are names covering groups of related but varying institutions that compose a frame within which act the technical forces of production and the economic forces of valuation. The growth of the historical school in economics has forced institutions upon our attention, and recently writers like R. T. Ely and Dr. Dalton have investigated analytically their economic influence.

A conservative school in economics has advanced the theory that distribution is "natural," inasmuch as every factor of production gets what it produces. Against this it must be urged: first, that, since it is impossible to determine the physical product of any of several co-operant factors, the only definition of what a factor produces is that part of the total product imputed to it according to the principle of value; second, that the principle of value does not act independently of all other considerations, but in a given institutional framework; third, that a factor's opportunity for taking part in production is limited by the structure of society. Institutions, including antecedent conditions of distribution, determine the point up to which production is carried and partially determine the supply of the different factors of production; hence they determine the marginal product of any factor. Truer would it be to say that all incomes are "institutional." But it is more fruitful to abandon the purely verbal distinction between "natural" and "institutional," and to investigate instead the effect of certain institutions or of institutions in general upon the earnings of factors of production. What really interests us is why some people have more than others of this world's goods.

The supply of a factor of production can be subject to various forms of Restriction. Restriction must be distinguished from scarcity. Everything valuable is naturally scarce, but if it be freely reproducible it is not for that reason restricted. Von Wieser's cost-goods are scarce, but not restricted. His monopoly-goods I would prefer to term restricted goods. Scarcity is the condition for the emergence of value, which is reflected in price. Restriction is the condition for the emergence of an excess of marginal utility over cost, reflected in a selling-price higher than supply-price. Restriction must also be distinguished from monopoly, which is a

special case of it. Although the word monopoly is often used in the wide sense, as when the private ownership of land is spoken of as a monopoly, or as in Von Wieser's use of the term monopoly-goods, it seems best to use it in the more limited sense, and to coin a new term Restriction for the wider case. Three kinds of Restriction are important. The first arises through natural irreproducibility, as in the case of land and certain other natural products. The second is ordinary monopoly, where one seller (buyer), or a combination of such, controls enough of the supply (demand) to be able to fix the price, with the effect of restricting output below what it would be under free competition. The third arises through the action of social institutions, embodied in law or custom. (Strictly speaking, monopoly is a special case of this third kind.) This third kind it is proposed to term Institutional Restriction.

The theory here put forth is that certain sets of institutions secure for certain groups of individuals an Institutional Restriction of certain factors of production, that the resultant limitation of supply causes their net marginal products to be high relative to those of unrestricted factors, and that there is thus introduced into the earnings of members of the restricted group an element akin to monopoly revenue. This element in income it is proposed to term Institutional Revenue.

Let us consider seriatim the chief classes of factors of production and their respective returns.

1. *Uses of Land—Rent.*—Economics explains how scarcity and differential rent arise, but since rent—the return to unproduced means of production—is not a supply-price, it stands on a different footing to the return to Capital—produced means of production—and pure economics does not explain its individual appropriation. The explanation is that, in consonance with the institution of private property, society recognizes the claim to the economic rent of a piece of land of the first occupier or last stealer thereof. Thus, on the basis of a natural restriction, an institutional restriction is set up. Such ownership of natural resources, owing to the comparative fixity of their supply, is the purest example of restriction. Individual income drawn from it is an institutional creation, and therefore falls entirely into the category of Institutional Revenue.

2. *Capital—Interest.*—Although the saving on which the accumulation of capital-goods depends is a factor of production that has a supply-price, yet institutional conditions affect not only the amount of saving but also the magnitude of the necessary price, and the number and nature of the recipients of that price. Under existing conditions of private property and free enterprise, our chronically spendthrift society turns over into individual hands a large part of the social¹ dividend that is needed for productive uses, and then proceeds to tempt it back into these uses by the offer of interest.

¹ I prefer the term *social* dividend to *national* dividend, as being more universal in its scope.

This has three effects. First, the provision of this factor is confined in a very large measure to a comparatively small propertied class, and the fewer there are to provide a service the higher is the return per person from providing it. Second, a group of persons of a given income-level may be expected to be more saving in their collective transactions than as individuals; consider, for instance, the Co-operative Societies. Third, since a man does not miss what he has never had, he can be persuaded to forego a sum that is due to him, but which he has never handled, for a less return than he can be persuaded to invest it for after it has once passed into his effective possession. That this is so is suggested by the growing tendency of joint-stock companies to accumulate resources out of profits, showing that it is cheaper to provide fresh capital out of undistributed profits than by appealing for subscriptions out of profits already distributed. Thus is created an Institutional Restriction of the function of waiting, so that not only does every supra-marginal saver get a saver's surplus, but even the marginal saver is receiving an institutional surplus. Hence a portion of all interest must be considered as Institutional Revenue.

The closely allied function of uncertainty-bearing is subject to a similar criticism. First, a large part of the uncertainty is created by the competitive-individualistic organization of economic activity; second, the bearing of it is limited to those with resources to expose, that is, to the rich; third, the same probability of loss, though compensated at the same rate, involves a less disutility to the richer man than to the poorer. Here, only that kind of uncertainty-bearing is referred to that is paid for: the poor bear a great deal of uncertainty—the risk of unemployment, for instance—which is equally an institutional creation, but does not give rise to any category of income to the bearer of it.

3. *Labour—Wages and Salaries.*—In the remuneration of some kinds of labour, such as that of the highly-skilled workman and professional man, there is an element of Institutional Revenue. One cause of this is that, where long and costly training is required (as an apprenticeship or a university education), or where the unit of professional activity is an indivisible combination of capital and labour (as a doctor's practice), or where (as in the case of a barrister) the beginner must be prepared to exercise his profession for some years without earning a livelihood, the supply of entrants is limited to persons disposing of accumulated resources. A second cause is the limitation of supply effected by trade or professional combinations through such devices as demarcation rules, regulation of number of apprentices, or prohibition of labour-saving methods. Other kinds of institutional restrictions, exemplified in the oriental and mediæval guild-systems and the Indian caste-system, give an Institutional Revenue to members of certain protected occupations. The legal or traditional exclusion of women from many occupations is one of the causes of the inferiority of women's wages to men's;

in other words, men, as members of a sex, enjoy an Institutional Revenue.

In all these cases, the limitation of the supply of labour to any occupation, by a qualification whether of property, of inheritance, of sex, or of anything else save of technical competence, acts in two ways. Qualitatively, it narrows the field of selection and thereby diminishes the probability of getting the most efficient service; quantitatively, by restricting to the more urgent uses only the application of the labour-force that is available, it raises its net marginal product. The urgency of the need of the rest of the community for these services is intensified and hence, even without any deliberate formation of a monopoly, any member of an occupation so protected can exchange the product of an hour of his labour against that of many hours of other people's labour.

4. *Enterprise—Profit.*—The return to business enterprise, even after allowance is made for the cancelling of gains by losses, contains an element of Institutional Revenue, and this for two reasons. First, in so far as costly training is required for the making of a business man, the supply is limited to such as can afford it. Second, the possession of capital in addition to organizing ability is generally necessary in order to start in business. In spite of opportunities for the man without means, due to cheap credit, joint-stock enterprise under salaried managers, etc., this is true of the representative firm, and the greater the scope of the enterprise the more the enterpriser requires to be backed by his own capital. When an enterprise is joint-stocked and put under a salaried manager, a part of the earnings of management are skimmed off and appropriated by the original shareholders or by the promoters. This is the institutional element in those earnings. It appears that, in proportion as one gate is opened to the moneyless man through opportunities of company enterprise, another is being shut, by reason of the growing demand for expensively trained employees and the tendency to restrict to such men promotion to the highest-paid posts.

Closely connected with the profit of enterprise is the net monopoly revenue that arises from monopoly in the narrow sense. Although capitalized and merged in the income due to capital and enterprise proper, it is, unlike them, entirely an opportunity payment and not due to the supply of any factor of production that has any necessary cost or assignable net marginal product. Even upholders of the productivity theory recognize it as a purely institutional revenue. Yet nowadays it becomes increasingly difficult, if it has not become impossible, to distinguish it in practice from the normal profit of business enterprise.

5. *Government—Taxes.*—Although not usually enumerated among the factors of production, the state functions that maintain the institutional and legal framework within which the productive forces work, have as much claim to be regarded as productive, and to have imputed to them a share in the value produced, as the

organizing and enterprising functions that set the productive forces in motion. That part of taxes that in a modern state goes to their upkeep may be regarded at once as their cost and as their marginal product. Other payments, not usually called taxes, have a similar function : such as some local rates, or part of the purchase-price of goods sold by a profit-making state monopoly. I suggest for this part of the social dividend the use of the word Taxes, by a synecdoche analogous to the use of the word Rent. Nowadays, public authorities—states and municipalities—maintain a monopoly of this function ; in the Middle Ages, however, it was supplied, as enterprise is now, by people who made out of it what they could, and was the Institutional Restriction of a class. The income of a feudal lord was analytically composed of two portions : the rent of land and the return on governmental functions. This distinction was recognized in practice by the French National Assembly, which, when, on August 4th, 1789, it abolished without compensation feudal dues as such, carefully preserved and guaranteed property-rights, such as rent for land and buildings.

Under modern institutions of private property and of a free market all incomes involving Institutional Revenue (with the exception of the earnings of skilled and professional labour) can be capitalized.¹ They then become title deeds of a perpetual claim upon the social dividend. Whatever their origin, they are mutually convertible and become merged in the general type of income-bearing property.

There is a fundamental distinction between property-incomes and work-incomes : the former are based on socially recognized claims, transferable and independent of the owner ; the latter are based on personal qualities inherent in their owner. From this distinction flow two consequences, both of which tend to narrow the circle of receivers of Institutional Revenue.

The first is the institution of Inheritance. Speaking generally, property-incomes can be transmitted, work-incomes cannot. The influence of Inheritance in keeping property-incomes within a few hands and in producing small classes of hereditarily wealthy persons has been studied more often and more closely than that of any other institution.

A second consequence is that, while one who relies on personal exertions for his livelihood finds, after a certain point, increasing difficulty in increasing his output of efficiency-units, one whose income is due to paper-claims is able, owing to the diminishing marginal utility of resources, to increase the number of these claims the more easily the more he already has. An engineer on piece-rates, or a free-lance journalist, for instance, may be able, by improving his efficiency or intensifying his exertions, to add 20 per cent. to his income ; to add 40 per cent. will require more than proportionate

¹ Under the *ancien régime* even taxes, where, as feudal dues, they were individually appropriated, could be capitalized.

effort ; while to add 60 per cent. will perhaps be the limit of his powers. On the other hand, an investor who by thrift and prudence has increased his income by 20 per cent. will find the effort of adding another 20 per cent. proportionately less, and so on with each successive increment of 20 per cent. This needs to be qualified by saying that, if an individual's supply of some factor, such as saving, becomes commensurate with the world's total supply of the factor, then the tendency to progressive ease of augmenting income will be counteracted by the tendency, due to the law of diminishing returns, of further increases in his supply to lower the net marginal product of the factor. But for all practical purposes we can say that work-incomes are increased with progressive difficulty, and property-incomes with regressive difficulty (progressive ease).

One category of income has not yet been considered, namely Rent of Ability, in the sense of the return to special personal qualities that cannot be produced by training, excluding the earnings of the ordinarily competent professional or business men. It is certainly a surplus akin to rent, because it is the return to a restricted factor ; but since it exists independently of social institutions it is not Institutional Revenue.

A title is needed for income that does not fall under the above categories. If we call it Normal Efficiency Earnings, we get a classification that cuts across the traditional one of wages, profits, interest and rent with a new division into Normal Efficiency Earnings, Rent of Ability and Institutional Revenue. These two bases of classification correspond to two different points of view, to economic statics and to economic dynamics. To consider income as the return to various factors of production is convenient for the analysis of Marshall's stationary state ; to consider it as determined by social institutions in its division between certain groups is convenient for some discussions in sociology and economic history.

For it is not here suggested that the appropriation of Institutional Revenue is merely arbitrary. Every stage of economic development is characterized by certain methods of production and of organization of production. For their proper unfolding and working these require certain institutions. These institutions involve the restriction of certain factors to certain groups and hence the occurrence of certain forms of Institutional Revenue. For example, feudalism was embodied in the institutions of the manor and of feudal protection, later also in those of land-proprietorship and guild-organization. These involved a ruling military hierarchy and the payment of feudal dues and rent. Capitalism is embodied in the institutions of private property in the means of production, free enterprise and enforcement of contract. These necessarily produce a class of capitalist entrepreneurs and rentiers, and the payment of rent, interest and profit. Political movements frequently take the form of an attempt by one group to modify or abolish an Institutional Restriction enjoyed by another or to set up one for itself.

Food Prices of Exported Manufactures

By DR. GILBERT SLATER

IN connection with the discussion carried on for some time between Sir W. H. Beveridge and Mr. J. M. Keynes, I think it is worthy of note that the question of the effects of changes of price during the period between 1900 and 1914 on the interchange of manufactured goods for food and raw materials was officially investigated before the war from the point of view of a country exporting the latter. In 1912 the Government of India arranged an inquiry into the rise of prices, and the report, commonly known as the Datta report, was published in 1914 in the form of five thick folio volumes (foolscap size). In this report Mr. Datta drew attention to the difference in the amount of rise of price of the manufactured goods which India imports, and of the goods, mostly food and raw materials, which India exports. It is interesting to compare these figures with those given by Sir W. H. Beveridge in your February issue.

Before quoting Mr. Datta's figures it will be convenient to cite Sir W. H. Beveridge's as far as is necessary for comparison.

I take first his index numbers for the United Kingdom for the British Food Import Price as a percentage of Manufactures Export Price from 1889 to 1913 (Col. A). These require some smoothing to get rid of short fluctuations, but Prof. Keynes' decennial averages take an unreasonably long period. I therefore average them for quinquennial periods, and put the quinquennial average (nearest integer) against the middle year of the quinquennium (Col. B). I take next his index numbers for prices of German manufactured exports and for German food import prices and express the latter as percentages of the former (Col. C), again giving the nearest integer.

Column B shows, more clearly than Column A, a tendency for given quantities of exports of British manufactures to buy larger quantities of food from 1891 to 1906 and 1907; then a fairly well marked tendency for foods to become relatively dearer, and the bargain less favourable to Britain. The German figures in Column C show the same tendencies very much exaggerated, with the difference that 1903 is the turning point.

Mr. Datta (Vol. I, p. 138) deals with all Indian exports and imports for which figures both of quantities and of price are available, which means about 99 per cent. of the exports and about 84 per cent. of the imports. For these he gives both the declared values of the

Year.	A	B	C
1889 ..	112	—	—
1890 ..	104	—	—
1891 ..	111	111	138
1892 ..	114	109	131
1893 ..	112	110	129
1894 ..	106	109	113
1895 ..	106	108	111
1896 ..	105	107	106
1897 ..	109	106	100
1898 ..	110	103	109
1899 ..	102	102	99
1900 ..	91	100	100
1901 ..	98	100	102
1902 ..	100	96	100
1903 ..	99	96	95
1904 ..	93	96	99
1905 ..	91	94	103
1906 ..	98	94	104
1907 ..	91	95	109
1908 ..	98	95	110
1909 ..	105	99	121
1910 ..	103	102	107
1911 ..	99	101	116
1912 ..	103	—	—
1913 ..	97	—	—

Col. A.—British Food Import prices as percentages of Manufactured Export price, annual.

Col. B.—Do., quinquennial averages.

Col. C.—German Food Import prices as percentages of Manufactured Export prices, annual.

exports and imports for each year (April to March), and the values as they would be at the average prices of the quinquennium, 1890-1 to 1894-5. From these I have calculated export and import price index numbers (Columns C and F, p. 194), and from these again the import prices expressed as percentages of export prices. It is unnecessary to add that Indian exports are almost entirely food and raw materials, and imports almost entirely manufactured goods.

Column G shows very clearly a marked tendency from the year 1899-1900 onwards for India to buy imported manufactured goods with a continually smaller proportional export. It tells the same story as the British and German figures, but much more emphatically. Further, the turn of the tide comes, not in 1905 and 1906, as for Britain, or in 1903 as for Germany, but in 1899.

Year	A	B	C	D	E	F	G
1895-6	10,265	9,928	103	5,240	5,272	99	96
1896-7	9,398	9,004	104	5,751	5,764	100	96
1897-8	8,874	9,262	96	5,707	5,938	96	100
1898-9	10,157	1,0923	93	5,307	5,865	90	97
1899-900	9,920	10,403	95	5,845	6,223	96	101
1900-1	9,816	9,424	104	6,621	6,559	102	98
1901-2	11,461	11,363	101	6,717	6,845	98	99
1902-3	11,451	11,466	100	6,226	6,446	97	97
1903-4	13,846	13,513	102	6,393	6,488	98	96
1904-5	14,289	13,909	103	7,567	7,466	101	98
1905-6	14,774	13,256	111	8,199	7,924	103	93
1906-7	16,349	13,277	123	8,676	8,153	106	86
1907-8	16,150	13,460	120	10,311	9,082	113	94
1908-9	14,197	12,301	115	9,712	8,750	111	97
1909-10	17,335	14,851	117	9,650	9,027	107	91
1910-1	19,025	14,813	128	10,293	9,507	108	84
1911-2	20,191	15,333	132	10,454	9,322	112	84

Col. A.—Indian Exports, declared value (lakhs of rupees).

Col. B.—Indian Exports, value at prices of 1890-95 (lakhs of rupees).

Col. C.—Index numbers of Indian Export prices, average prices of 1890-5 = 100.

Col. D.—Indian Imports, declared value (lakhs of rupees).

Col. E.—Indian Imports, value at prices of 1890-5 (lakhs of rupees).

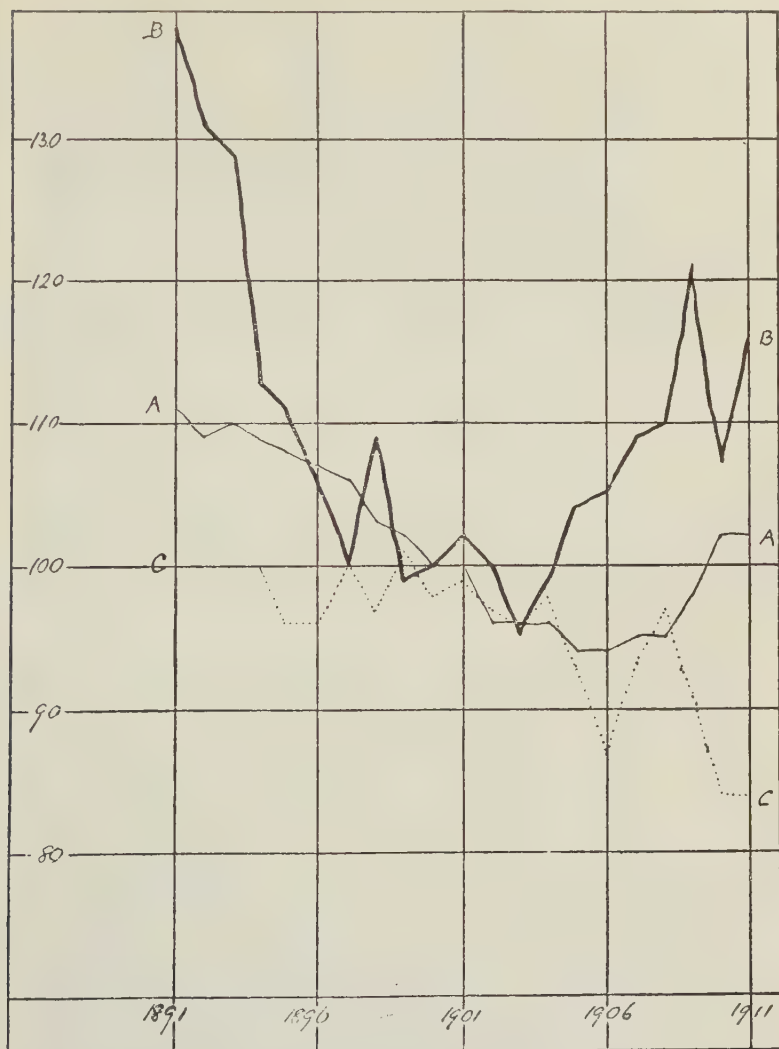
Col. F.—Index numbers of Indian Import prices, average prices of 1890-5 = 100.

Col. G.—Import prices as percentage of Export price.

Putting the figures together, the indication is that the trend of prices began to be favourable to the countries exporting food and raw materials before they began to be unfavourable to the countries exporting manufactured foods. This would imply a cheapening of cost of transport, which, I believe, actually did take place.

The accompanying graphical diagram brings the Indian, British and German figures together.

The three curves *indicate*, they do not *prove*, that about the year 1900, or a little later, a tendency appeared, lasting till the outbreak of the war, for manufacturing countries to have to export more goods in order to buy given quantities of imported food, and for food-exporting countries to purchase imported manufactures with smaller quantities of their produce. Assuming these indications to be reliable, this may be due either (1) to greater efficiency in manufacture, or (2) to an increasing difficulty for manufacturing countries in feeding themselves by exporting manufactures, or (3) a combination of these two causes. Does Indian experience throw any light on the interpretation?



- A.—British Food Import price as percentage of Manufacture Export price ————
 B.—German Food Import price as percentage of Manufacture Export price ————
 C.—Indian Import price as percentage of Export price

To some extent I think it does. There is, as Sir W. H. Beveridge reminds us, a marked tendency for our manufactured exports to consist increasingly of highly finished goods. Indian experience

would indicate that this is due only in part to improvement in the arts of manufacture in Britain, but also in part to increasing difficulty in selling abroad the coarser goods. Dundee and Calcutta both manufacture jute, but whenever Calcutta thinks it worth while to take up any particular branch of jute manufacture, it drives Dundee out of the market ; Dundee is confined to those more highly finished and elaborate articles which Calcutta is too busy to touch while its mills are making huge profits out of plain Hessian cloth and gunny bags. In cotton manufacture, Bombay, beginning with the lowest counts, is gradually driving Lancashire out of the Indian market for one grade of cloth after another. Indian production of mill-woven cloth now exceeds the import ; twenty years ago it was very small in comparison. India recently was almost entirely dependent on import for all sorts of iron and steel goods ; Tatas now boast of being able to manufacture the cheapest pig in the world, and the Indian Tariff Board has recommended duties which it calculates will in a very few years exclude the simpler and cheaper orders of imported steel goods. The population question comes in here. In almost all Indian villages, with their slowly progressive agriculture and enormous birth rate, population presses very hard on the means of subsistence, and the peasantry are driven by hunger to manufacturing centres to work for wages which give their employers an immense competitive advantage. In a similar way manufacture is developing in China.

Is there, for this or for other reasons, apart from temporary results of the war, cause to fear that it may become increasingly difficult to keep the British working population reasonably fully employed at rates of wages sufficient to maintain the present standard of comfort ? Some very obvious considerations are the increasing cost, in terms of human effort, in winning coal ; the shifting of the basis of industry from coal, in which we have a competitive advantage, to water-power, mineral oil, and later probably to alcohol and its congeners, in which we are at a disadvantage ; and the loss of the greater part of our income from foreign investments. In 1914 that income was about £200,000,000, it is now calculated at about £120,000,000, from which some £30,000,000 interest on American debt must be subtracted, leaving £90,000,000, which is about equivalent in purchasing power to £50,000,000 pre-war.

A careful analysis of the situation might, or might not, lead to results very different from those indicated by these obvious features. Supposing it did not, the question of policy becomes urgent. Still confining ourselves to the obvious, it would seem desirable (1) to take energetically in hand the railroadizing of Africa, which would yield increased supplies of food and raw material and a great market for manufactures, (2) to remodel our educational system so as to equip a larger proportion of our youth for prosperous life abroad. With regard to the second desideratum, is it not time that we did decent justice to our agricultural labourers by extending to them

the statutory rights granted to Irish agricultural labourers, good cottages, gardens of half an acre adjoining the cottage, and an additional half-acre of garden on demand? These gardens would be the most productive land in the island, and the garden education of the children would do more for them than their schooling as preparation for colonial life.

As for the population question, I do not see that any new light of any importance is, or can be, thrown on it by the preceding argument. It has surely long been clear that there are a great many too many human beings of inferior quality in the world, and not nearly enough of the better qualities. Hence the popularizing of " Birth Control " is a public service ; and, on the other hand, the preaching of the worth-while-ness of parentage a crying need.

Railway Amalgamations : Reorganization and Consolidation of Capital

By WILLIAM ASHTON AND ALEC BERRY, A.C.I.S.

FROM a perusal of the history of the railways of Great Britain it will be seen that the railway undertakings have been built up as a result of innumerable amalgamations, and whilst the passing of the Railways Act, 1921, has expedited this process there seems little doubt that in the course of time the railway companies themselves would have sought Parliamentary sanction for further amalgamations, and, in fact, in 1848 application was made to Parliament for powers to amalgamate the London and North Western, Great Western, and South Western Companies; in 1852 a scheme was projected for the amalgamation of the London and North Western and Great Northern; and, more recently, in 1873, the London and North Western Company submitted to Parliament a Bill for the amalgamation with the Lancashire and Yorkshire Company, the terms for which had been unanimously agreed by the stockholders, although the companies were not successful in obtaining sanction. This policy of combination has also been evinced by many of the larger railway companies subscribing considerable sums towards the capital of smaller concerns in order to acquire controlling interests.

As a result of the Railways Act, 1921, twenty-six constituent and ninety-three subsidiary companies have been formed into four main railway Groups, and for the purpose of this monograph it is our intention to confine our remarks mainly to one of these Groups, namely, the North Western, Midland and West Scottish, known as "The London, Midland and Scottish Railway Company," comprising the following eight constituent companies:—

London and North Western,
Midland,
Lancashire and Yorkshire,
North Staffordshire,
Furness,
Caledonian,
Glasgow and South Western,
Highland,

and twenty-seven subsidiary lines.

The nominal capital values of the railway Groups in this country are now colossal, as the following table illustrates (See Appendix A) :

				Total Nominal Capital (including Debentures).
London, Midland and Scottish	..	..	£398,929,175	
London and North Eastern	..	..	360,123,517	
Great Western	..	..	138,645,613	
Southern	..	..	144,314,973	

It appears to be quite a popular impression that a very large proportion of these enormous figures represents "watered" capital, i.e., stock that has not been subscribed cent. per cent. by the public, being generally created by the simple process of duplicating, say, the Ordinary stock into Preferred and Deferred Ordinary stocks, the former to carry a fixed rate of dividend and the latter to receive such portion of the profits as remains after paying the dividend on the Preferred Ordinary stock.

Instances of such "watering" of capital are readily forthcoming in support of these views, the most prominent, so far as the companies now embraced in the London, Midland and Scottish Railway Company are concerned, being :

(1) *Midland Railway Act of 1897*, which converted—

- (i) £28,804,940 3% Debentures into £34,565,928 2½% Debentures;
- (ii) £10,043,697 Guaranteed stocks and rent charges „ £16,204,914 2½% Guaranteed Preferential stock ;
- (iii) £28,013,958 4% Preference stocks „ £44,822,333 2½% Preference stock ;
- (iv) £35,434,947 Ordinary stock „ £35,434,947 Preferred Ordinary and £35,434,947 Deferred Ordin'y.

or, in other words, increased the capital of the Midland Company from £102,397,542 to £166,463,069, or by 63 per cent.

- (2) *Glasgow and South Western Railway Act of 1897*, which duplicated the £4,994,920 Ordinary stock into £4,994,920 Preferred Ordinary, carrying a dividend at the rate of 2½ per cent. per annum, and £4,994,920 Deferred Ordinary stock.
- (3) *Caledonian Railway Act of 1890*, under which the Caledonian Ordinary stockholders were authorized, if they so desired, to convert their holdings of Caledonian Ordinary stock into similar amounts of Preferred Ordinary (carrying a fixed dividend at the rate of 3 per cent. per annum) and Deferred Ordinary stocks. Up to the time of the amalgamation with the London, Midland and Scottish Railway Company in 1923, holders of £15,101,750 Ordinary stock had availed themselves of this statutory right, and had received in exchange £15,101,750 of Preferred Converted Ordinary and £15,101,750 of Deferred Ordinary.

These three instances alone show that no less than £84,162,197 of stock was created, augmenting the nominal capital of the railway companies concerned, without the subscribed or paid-up capital being increased.

Other instances may be quoted to show how the nominal capital has been inflated. Take, for example, the case of the Caledonian Company, which in 1876 created and issued as a nominal addition £2,508,026 Deferred stock No. 1, entitled to participate *pari passu* in any dividend on the Ordinary stock over 7 per cent. per annum, and £276,666 Deferred stock No. 2, entitled to participate *pari passu* in any dividend on the Ordinary stock over 9 per cent. per annum. These stocks were issued to extinguish the contingent rights of various classes of stockholders when the numerous stocks of the railways which were amalgamated or absorbed to form the Caledonian Railway Company were consolidated into four or five classes, and did not represent a subscription by the public. These particular Deferred stocks Nos. 1 and 2 received no dividends whatever during the entire history of the Caledonian Railway Company, but they were nevertheless shown in the capital account of that company.

On the other hand, there have been a few instances where on an amalgamation or absorption the paid-up capital of the absorbed company has been replaced by a smaller amount of stock, as was the case when the Huddersfield and Manchester Railway Company and the Leeds, Dewsbury and Manchester Railway Company were absorbed in 1847 by the London and North Western Company, the total capital of the two absorbed companies being reduced from £1,641,570 to £1,149,099; but, generally speaking, the effect of amalgamating railways in the past has been to "water" the capital very considerably.

We will now turn our attention to the effect of the Railways Act on the present capital of the new Groups of railways. The attached statement (Appendix B) illustrates the effect of reorganizing and consolidating the capital of the thirty-five railway companies embraced in the present London, Midland and Scottish Railway Company. It will be observed that prior to the grouping the total capital of the whole of these companies was £540,973,480, whereas the present capital of the London, Midland and Scottish Company is £398,929,175.

Whilst it will be seen from statement (Appendix B) that £142,044,305 or 26·2 per cent. of the original capital has been cancelled in the process of these amalgamations, it is necessary to point out that a small proportion of this reduction is represented by cash payments from the absorbing company in respect of shares and stock in the absorbed company, such payments in the case of the London, Midland and Scottish Company amounting to £559,933. In addition, some of the constituent companies held varying amounts of capital in the smaller subsidiary companies, amounting in all to £4,362,939, which on amalgamation have, of course, been wiped out,

whilst further stocks on which no interest or dividends had been, or were ever likely to be, paid, and which were considered valueless, were cancelled; e.g., the Caledonian Deferred stock No. 1, £2,508,026, and Deferred stock No. 2, £276,666, previously referred to. Taking everything into account, these figures show, without a shadow of doubt, that the result of the former practice of railway companies of watering capital has now been annulled, a very large proportion, if not the whole, of the "watered" capital being eliminated from the capital account by a single stroke of the pen.

In this connection, however, one must not overlook the fact that, when the amalgamation schemes were being drafted, great pressure was brought to bear on the railway companies by members of the Stock Exchange for the watering of the company's capital by the splitting of the Ordinary stock into Preferred and Deferred Ordinary. Whilst this was done in the case of the London and North Eastern and Southern Companies, there appeared to be special circumstances for the adoption of this course, namely, Ordinary stocks which had received a fairly good return having to amalgamate with stocks on which no return had been paid, and yet whose potential value was of considerable extent, the idea being to ensure the former receiving a fixed amount of dividend, whilst the latter would have a stock which would entitle them to a share in any increased profits.

The whole arrangement of the stocks had been on the basis of eliminating what might be called "water," and to double the amount of Ordinary stock, which splitting would necessitate, without any corresponding increase in the tangible assets, was not considered to be sound finance.

Although it was fully recognized that a considerable saving could be effected in the non-payment of stamp duty if the stock were split under an amalgamation scheme, it was felt that the only advantage to be derived was that it would give to the shareholders an immediate increase in the market value.

A comparison of a London Stock Exchange List of 1921 with one of the present day reveals the startling effect of consolidating the capital of the various railway companies. In the former list will be seen quotations for about three hundred stocks (and it must be borne in mind that there were innumerable instances of stocks or shares where the prices were only quoted locally, or even not quoted on any Stock Exchange List, and where any sale or transfer was a matter for private negotiation), whilst the current Stock List shows that the stocks have been reduced to between thirty and forty (see Appendix A). The thirty-five companies now embraced in the London, Midland and Scottish Railway Company had 155 separate classes of stocks or shares in 1921, which by the process of amalgamation and absorption have been consolidated into seven stocks of the London, Midland and Scottish Company, two of which are redeemable in the near future, and will then pass off the list.

The advantages of such consolidation are twofold. From the shareholders' standpoint, and more especially the holders of shares or stock in the smaller subsidiary companies, the " free " market is a great boon. Where, prior to the consolidation, a small holder of stock in a subsidiary company, the total capital of which did not exceed, say, £100,000, wished to dispose of his security, to find a purchaser was sometimes a very slow process, and until the deal was completed the vendor did not know what the sale would realize. Now, the case is entirely different ; the security has been exchanged for one of the stocks in the Group Railway ; these stocks are dealt with at every Stock Exchange every day ; and the marketable value can be ascertained from any of the daily papers so that the seller can calculate to within half a point what his securities will realize.

Where there is such a " free " market, better prices are obtainable, as was instanced by the market prices of the 4 per cent. Guaranteed Annuities and the 4 per cent. Debenture stock of the Caledonian Company prior to amalgamation. The former stock had a claim to interest prior even to the Debenture stock, and this being the case one would naturally assume that the market price of the Annuities would be higher than the Debenture stock. This, however, was not so. The Debenture stock was invariably quoted one or two points above the Annuities stock. This was accounted for by reason of there being a comparatively large amount of Debenture stock in which transactions on the various Stock Exchanges were of daily occurrence. There was a much smaller amount of the Annuities and transactions in this stock were of less frequency, consequently the price was lower.

Similarly the London, Midland and Scottish 4 per cent. Debenture stock, of which there was £85,027,884 compared with £11,664,420 Caledonian Debenture stock prior to the amalgamation in June, 1923, commanded a marketable value at least a point in excess of the latter stock.

From the railway company's standpoint it is obvious that the clerical work involved in keeping the registers, etc., of seven stocks, even though they are of the dimensions of those of the London, Midland and Scottish Company, must be considerably less compared with that necessary for the 155 original stocks previously referred to. In addition many railway shareholders had a considerable number of holdings in several of the railway companies, and as a result of consolidating the stocks, two or three holdings in the present stocks will take the place of a dozen or more holdings previously. When the dividends are paid each half-year, the grouping together of the accounts will economize in both time and labour.

When amalgamations or absorptions are first mooted, the primary question for consideration is, " What is to be the organization of the capital of the new company ? " There must of necessity be Debenture, Guaranteed and Preference stocks bearing fixed rates of divi-

dend, in addition to the Ordinary stock, but how many classes of each, and whether or not Preferred and Deferred Ordinary should be created must be decided on the merits of each particular Group.

In the case of the Great Western and London, Midland and Scottish Companies it was decided to have one Ordinary stock, but the circumstances of the other two Group companies made it expedient to have a Deferred Ordinary and a Preferred Ordinary stock. The London, Midland and Scottish Company thought it necessary to have more than one Preference stock and accordingly they organized their capital to consist of—

4 per cent. Debenture stock,
4 per cent. Guaranteed stock,
4 per cent. Preference stock,
4 per cent. Preference (1923) stock,
Ordinary stock.

Now it has to be decided which of these must be substituted for the original holding. The Debenture, Guaranteed and Preference stocks of the constituent companies of the London, Midland and Scottish Group were, in every instance, exchanged for similar stocks in the combined undertaking—Debenture for Debenture, Guaranteed for Guaranteed, and Preference for Preference, to yield the same income, e.g., £100 Glasgow and South Western 4 per cent. Guaranteed received £100 London, Midland and Scottish 4 per cent. Guaranteed; £100 Midland $2\frac{1}{2}$ per cent. Consolidated Perpetual Preference received £62 10s. London, Midland and Scottish 4 per cent. Preference; and £100 Highland 6 per cent. "Nairn" Preference received £150 London, Midland and Scottish 4 per cent. Preference.

With the subsidiary companies, however, this process could not always be adhered to. There were a number of "worked companies" which received from the "working company," usually one of the constituent companies, a certain rental which enabled a fixed dividend to be paid each year on the stocks and shares. As the payment of these rentals was a liability of the working company ranking before the payment of the Debenture stock interest, it will be realized that the dividend on the stocks of the worked company was very secure. Consequently the holders of Arbroath and Forfar stocks, who were assured of a rental from the Caledonian Company, and the holders of North and South Western Junction Ordinary stock, who received a fixed rental from the London and North Western and Midland Companies, were allotted London, Midland and Scottish Debenture stock to bring in the same income as they had previously enjoyed.

On the other hand, the Knott End Railway Debenture stockholders, who for many years had failed to receive the full rate of interest, only had allotted Preference (1923) stock in exchange. The Mold and Denbigh Junction Railway "C" Debenture stock-

holders, who had received no interest for many years, received in exchange a small amount of the Preference (1923) stock.

The object in creating a second Preference stock, i.e., the 4 per cent. Preference (1923) stock, was to enable the Group Company to substitute a suitable stock for the Preference and Preferred Ordinary stocks of the companies where the margin of security on such stocks was reasonably high. The Midland 2½ per cent. Preferred Ordinary stockholders, who had ever since the creation of the stock in 1897 received the full dividend, and had in addition a sound backing of Deferred Ordinary stock which had carried a dividend of between 3½ and 4½ per cent. for a number of years, received Preference (1923) stock to yield the same income. It would have been unfair to issue to these stockholders a security such as the "First" Preference stock of the London, Midland and Scottish Company, and this stock was being exchanged for such well-secured stocks as the London and North Western Consolidated Preference, Midland Consolidated Perpetual Preference, and Lancashire and Yorkshire Consolidated Preference. Similarly, the Glasgow and South Western Preferred Ordinary was exchanged for the Preference (1923) stock to yield the same income. The Caledonian Company, however, did not receive this Preference stock in exchange for their 3 per cent. Preferred Ordinary stock. The Railways Amalgamation Tribunal were of opinion that the slight cover afforded by the Deferred Ordinary stock of the Caledonian Company, which in 1913 only receive ½ per cent. dividend, did not warrant the issue of a Preference stock of the amalgamated company, but as there had been no default in the whole history of the company in the payment of the Preferred dividend, the Tribunal compromised by awarding £50 London, Midland and Scottish 4 per cent. Preference (1923) stock and £13 6s. 8d. Ordinary stock. This award assured the Caledonian Preferred stockholders of £2 per cent. per annum, and, in addition, gave them an interest in the Ordinary stock, which would, on the assumption that the Ordinary dividend was in future 7½ per cent., bring their income up to 3 per cent., whilst they have the advantage of participating in any increased profits.

With regard to the Ordinary stock, in dealing with the recent amalgamations under the Railways Act, although it is laid down in section 6 that "consideration shall be given to all the circumstances of the case, and in particular to the value of an undertaking on a net revenue earning basis as a separate company, and its value as a component part of the amalgamated company," one can easily imagine the many difficulties which arose in arriving at a fair and equitable basis of amalgamation.

The Act stipulated, *inter alia*, that the charges to be fixed for the Group were to be such as would yield, together with other sources of revenue, an annual net revenue equivalent to the aggregate net revenues in the year 1913 of the constituent and subsidiary companies forming the new Group, plus an allowance for capital ex-

pended since that date, and it was, therefore, only fair to assume that the most equitable basis on which to effect an amalgamation or absorption was to take the earning capacity of each company in the year 1913, which year, apart from forming the standard revenue of the new Group, was considered to be a good year generally from a trade point of view, and one of the best years the railway companies enjoyed, and was also the latest complete year before the war of which a comparison could be made. It was also the first year in which the accounts of the railway companies were prepared on a common basis in accordance with the Railway Companies (Accounts and Returns) Act of 1911.

Although a comparison of the earning capacity of each company was fairly ascertainable in this way, it was found in several instances that the year 1913 was abnormal in the way of increased earnings, as will be seen from the following figures, and the attached graph (Appendix C) :

PERCENTAGE OF "AMOUNT AVAILABLE FOR ORDINARY DIVIDEND"
TO ORDINARY CAPITAL

	1908.	1909.	1910.	1911.	1912.	1913.
North Staffordshire ..	3.74	3.87	4.50	4.75	4.37	5.24
Furness	0.44	0.88	2.17	1.39	1.45	2.48
Highland	1.47	1.58	2.04	2.29	2.09	2.60
Maryport and Carlisle	6.00	6.07	6.51	6.18	5.76	6.50
Cleator & Workington	3.45	4.48	4.01	4.23	3.97	4.52

In such cases these abnormally increased earnings were very probably non-recurring, and it was found that the more satisfactory way of arriving at an equitable exchange was a comparison of the average earning capacity over a long period—say, ten or twenty years.

The phrase "all the circumstances of the case" led to many difficulties in the way of :

- (a) Reserves ;
- (b) Damification on account of standardization of wages and hours on the Scotch lines due to the conditions imposed upon them by the Government ; and
- (c) Capital expended but not yet fructified.

(a) *Reserves*

In the case of reserves, on an examination of the various companies' accounts it was seen that, during the period of Government Control, many of the companies had accumulated large reserves, but in other instances such money had been utilized to meet current expenditure, and the following table shows the percentage of the reserves to the capital expended on the constituent companies now forming part of the London, Midland and Scottish Company :

Company.	Capital Ex- pended at 31st December, 1922.	Total Reserves including Com- pensation un- der Railways Act and Depre- ciation Fund at 31st Decem- ber, 1922.	Per cent. of Re- serves to Capital Expendi- ture.
	£	£	
L. & N.W. (including L. & Y.)	197,905,294	22,422,246	11·33
Midland	130,474,448	18,891,526	14·48
North Staffs	9,221,629	667,836	7·24
Furness	7,042,746	371,241	5·27
Caledonian	56,305,498	4,338,688	7·71
G. & S.W.	20,240,929	1,498,958	7·41
Highland	7,416,837	412,023	5·55

It will thus be seen that in arriving at the terms of the amalgamation, consideration had to be given to these difficulties.

(b) Damnification on account of Standardization of Wages and Hours.

Prior to Government Control the hours worked by the staff on the Scotch lines were greater than those worked by the staff of the English companies, whilst the rates of pay in the case of the former were lower than those of the latter.

During the period of Government Control, and as a result of negotiations with the men's Unions, the conditions of service were standardized by the introduction of an eight-hours' day, which, whilst benefiting the employees of the English companies, gave to the employees of the Scottish companies a considerably greater benefit. At the same time the rates of pay of both lines were also standardized, with the result that the loss in working hours, together with the increased pay, meant considerably increased working expenses for the Scotch companies, which increase subsequently became permanent, and in arriving at the terms of amalgamation consideration had to be paid to this damnification of the Scotch companies.

(c) Capital expended but not yet fructified.

In one or two instances claims were put forward that a particular company had expended in the years prior to the war large sums of money on new works and new lines, from which only a portion and, in some cases, none of the benefits which it is expected will be ultimately realized had accrued to the company concerned, and this factor had to be acknowledged.

As an instance of this may be given the case of the Great Central Company; an examination of the terms of amalgamation with the

London and North Eastern Company reveals that, whilst the Great Central Company had not paid any dividend on its Preferred and Deferred Ordinary stocks for a considerable number of years, and had defaulted on several of its Preference stocks, both the Preferred and Deferred shareholders' claims have been recognized by the issue of Preferred and Deferred Ordinary stocks of the London and North Eastern Company to the former and Deferred Ordinary to the latter, whilst the Preference stocks were exchanged for Preference and/or Preferred Ordinary stocks, from which it is only reasonable to assume the full income will, in future, be derived.

Further difficulties arose in regard to certain lines which had been worked by a parent company for a fixed annual rental, but which rental was insufficient for the worked company to meet its obligations, e.g., the Leek and Manifold Valley Light Railway and the Lee-on-the-Solent.

In the case of the former, in addition to the company having Debenture stock they had borrowed money on mortgages and there was outstanding a Lloyds Bond.

Under the decision of the Railways Amalgamation Tribunal, which was afterwards upheld by the Court of Appeal, in cases where the liabilities of a company exceeded the assets the absorbing company became liable to pay and discharge in full all debts of the company so absorbed, even though they might greatly exceed the value of the undertaking.

Then came the question of what were "liabilities" and what were "securities," and whilst it had been held that a Lloyds Bond fell in the former class and became a liability of the absorbing company under section 5 (a) of the Act, the Tribunal have recently decided that loans should fall under the category of "securities" and dealt with in accordance with section 5 (c), and were not, therefore, required to be taken over at their original value, but were to be valued for the purpose of transfer, which value might in an extreme case be nil. It is understood, however, that at the moment appeals have been made against this decision, and it may, therefore, become a question for the Court of Appeal and the House of Lords.

This has brought about the curious anomaly of a Debenture stockholder in a company being in a worse position than an unsecured creditor, the former in certain instances only receiving a portion of his money whilst the latter is entitled to payment in full, together with any arrears of interest.

From the foregoing one can form an idea of the vast changes which have been effected in the capital of the railway companies as a whole, and the stupendous task placed upon the officials of the various constituent companies in arriving at what could fairly be considered equitable terms of amalgamation. How well they have performed this task may be gathered from the small number of cases in which resort had to be made to the Railways Amalgamation Tribunal for a solution to the difficulties.

APPENDIX A

CAPITAL OF FOUR GROUP COMPANIES AT 31ST AUGUST, 1923

LONDON, MIDLAND AND SCOTTISH.

£101,791,069	..	..	..	4 per cent.	Debenture.
40,692,916	..	..	..	4	Guaranteed.
118,908,762	..	..	..	4	Preference.
1,500,000	..	..	..	4½	Redeemable Preference.
700,000	..	..	..	5	Redeemable Preference.
40,133,987	..	..	..	4	Preference (1923).
95,202,441	..	..	..		Ordinary.
£398,929,175					

LONDON AND NORTH EASTERN.

£67,522,993	..	..	..	3 per cent.	Debenture.
39,920,324	..	..	..	4	Debenture.
32,761,924	..	..	..	4	1st Guaranteed.
27,696,989	..	..	..	4	2nd Guaranteed.
48,222,669	..	..	..	4	1st Preference.
66,037,430	..	..	..	4	2nd Preference.
42,290,925	..	..	..	5	Preferred Ordinary.
35,670,263	..	..	..		Deferred Ordinary.
£360,123,517					

GREAT WESTERN.

£25,110,682	..	..	..	4 per cent.	Debenture.
1,009,494	..	..	..	4½	Debenture.
4,629,317	..	..	..	4½	Debenture.
3,232,145	..	..	..	5	Debenture.
1,727,037	..	..	..	2½	Debenture.
7,708,241	..	..	..	5	Rent Charge.
23,816,537	..	..	..	5	Consolidated Guaranteed.
28,971,309	..	..	..	5	Consolidated Preference.
42,440,851	..	..	..		Consolidated Ordinary.
£138,645,613					

SOUTHERN.

£35,155,987	..	..	..	4 per cent.	Debenture.
40,000	..	..	..		S. E. Perpetual Annuities.
4,940,174	..	..	..	5 per cent.	Guaranteed Preference.
39,738,402	..	..	..	5	Preference.
1,000,000	..	..	..	5	Redeemable Preference.
175,302	..	..	..	5	Redeemable Preference.
27,347,621	..	..	..		Preferred Ordinary.
27,347,768	..	..	..		Deferred Ordinary.
2,480,198	..	..	..		Ordinary A.
6,089,521	..	..	..		Ordinary B.
£144,314,973					

APPENDIX B

LONDON, MIDLAND AND SCOTTISH RAILWAY COMPANY

Company.	Total Capital (excluding Loans) prior to conversion.		Total Capital after conversion.
	£		£
London and North Western	..	127,885,309	118,129,696
Lancashire and Yorkshire	..	71,656,930	55,362,350
Midland	..	204,058,123	129,679,239
North Staffordshire	..	10,928,123	8,777,322
Furness	..	8,067,998	5,619,568
Glasgow and South Western	..	25,254,431	18,300,134
Caledonian	..	72,322,102	50,049,012
Highland	..	6,871,122	5,311,999
English subsidiary lines	..	10,375,776*	5,967,801
Scottish subsidiary lines	..	3,553,566†	1,732,054
		<u>£540,973,480</u>	<u>£398,929,175</u>

It must be pointed out that in the case of a few subsidiary companies there has been a cash payment for shares, the total amount paid in the case of the London, Midland and Scottish being £559,933, and this is partially responsible for the reduction in the capital.

English Subsidiary Companies

Company.	Capital prior to absorption.		Group stock issued in exchange.
	£		£
Charnwood Forest	..	161,419	106,537
		50,000	
Cleator and Workington	..	604,600	522,007
Cockermouth, Keswick and Penrith	..	371,456	203,406
		51,155	
Dearne Valley	..	133,000	1,000
		652,000	
Harborne	..	56,456	25,583
		20,000	
Knott End	..	211,500	60,500
Leek and Manifold‡	..	—	—

* Of this amount, £2,887,039 of stock, which was held by one or other of the constituent companies has been cancelled.

† Of this amount, £1,475,900 of stock, which was held by one or other of the constituent companies, has been cancelled.

‡ Terms not yet settled by Railways Amalgamation Tribunal.

English Subsidiary Companies—continued.

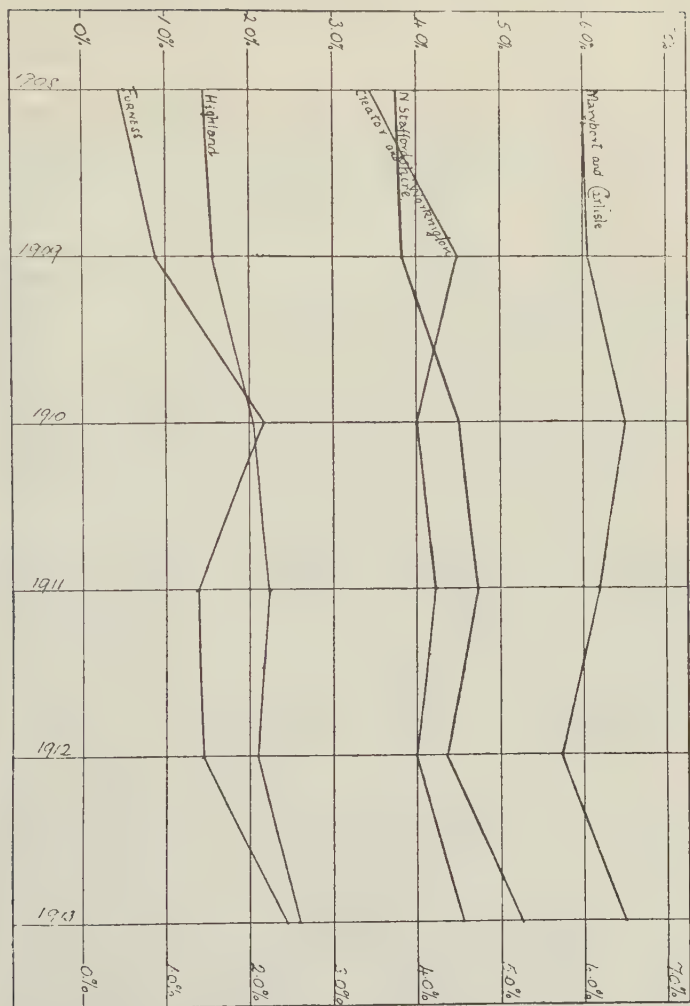
Company.	Capital prior to absorption.	Group stock issued in exchange.
	£	£
Maryport and Carlisle	885,495	963,275
Mold and Denbigh	574,900	264,938
North and South Western Junction ..	128,600	229,069
North London	2,643,136	2,830,873
	1,328,730	
Shropshire Union	22,277	11,139
	330,154	
Stratford-on-Avon	586,177	—
Tottenham and Forest Gate	338,000	300,500
	450,000	
Wirral	721,421	397,388
Yorkshire Dales	50,300	51,586
	5,000	
	<u>£10,375,776</u>	<u>£5,967,801</u>

Scottish Subsidiary Companies

Company.	Capital prior to absorption.	Group stock issued in exchange.
	£	£
Arbroath and Forfar	229,950	335,727
Brechin and Edzell	37,500	2,250
Callander and Oban	445,410	362,738
	808,400	
Cathcart District	224,330	191,500
	217,000	
Dornoch Light	14,824	—
Dundee and Newtyle	111,650	35,000
Killin	14,785	—
	6,000	
Lanarkshire and Ayrshire	315,850	262,703
	444,500	
Portpatrick and Wigtownshire	491,980	430,482
Solway Junction	148,872	111,654
Wick and Lybster	42,515	—
	<u>£3,553,566</u>	<u>£1,732,054</u>

The *italic* figures denote the amount of stock held by constituent companies in this Group, which has now been cancelled.

APPENDIX C



GRAPH SHOWING PERCENTAGE OF "AMOUNT AVAILABLE FOR ORDINARY DIVIDEND" TO ORDINARY CAPITAL.

An Inquiry into the Origin and Nature of the title Prince of Scotland

By W. C. DICKINSON.

IN his inaugural lecture given in connection with the new lectureship in Scottish History at London University, and in a subsequent article to *The Times*, Dr. Walter Seton advocated the restoration of the old title "Prince of Scotland," and suggested "its full and habitual use" whenever the Prince of Wales should cross the borders. The eldest son of the reigning Sovereign undoubtedly possesses the title "Prince of Scotland" in conjunction with many other honours,¹ but whether the title should be brought into free use is a matter of some doubt, and in certain respects it would appear to be undesirable.

In the period prior to the War of Independence the usual designation of the heir to the Scottish throne, if the Earldom of Northumberland and Huntingdon be excluded, was simply "filius regis" or "filius primogenitus regis,"² until, with the accession of King Robert Bruce, an honour was added to the Scottish Crown. King Robert was the eldest son of Robert Bruce, Lord of Annandale, who had married Marjory, Countess of Carrick in her own right. The honour descended to their son, King Robert Bruce, the title was merged in the Crown, and Bruce as King was also Earl of Carrick. King Robert soon gave the honour to his brother, Edward Bruce, but Edward died without lawful issue in 1318, and the Earldom reverted to the Crown, only to be given to David, Bruce's eldest son and later David II. That David became Earl of Carrick prior to his accession to the throne is evident from more than one entry in the Exchequer Rolls, as, for example, in an account rendered in 1329, where he is called "Dominus David tunc comes de Carric," the account referring to expenses incurred whilst he was journeying to Berwick to meet his bride, almost exactly a year before his father's death.³ Following his accession, David granted the Earldom away; but after passing through several hands it eventually returned to

¹ See the list of honours of the Prince of Wales given in Crawford, *History of the Shire of Renfrew and the Origin and Descent of the House of Stewart* (1818), Appendix III.

² Cf. Lawrie, *Early Charters*, nos. CXII, CXV, CXXXI, etc.; *Extracta e variis chronicis Scotiae* (Abbotsford Club), pp. 83, 106, 114; *Pluscarden*, Bk. VI, c. 38.

³ *Exchequer Rolls*, I, 189; also *ibid.* I, 139, 259.

the Crown,¹ and, having no issue, David again granted it away, this time to John Steward of Kyle, eldest son of the Steward of Scotland and later King Robert III.² It then became customary for the eldest son of the King to hold the honour and title of Earl of Carrick.³

David died in 1370-1, and the House of Stewart ascended the Scottish throne. Walter, the sixth Steward of Scotland, had married Marjorie Bruce, only child of the first marriage of Robert I (Bruce), and, when David died without issue, their son, Robert the Steward, became King as Robert II. A second honour was thus merged in the Scottish Crown; to the title Earl of Carrick was added that of Steward of Scotland ("Senescallus Scotie"), and, with this second title also, the custom arose that it should be held by the eldest son of the King.⁴ That these two titles were the only titles enjoyed up to this time by the eldest son of the King is clear from the fact that when John, eldest son of Robert II, was declared heir to the throne by a Parliament at Scone in 1371, he was styled "Dominus Johannes filius suus primogenitus comes de Carrik et senescallus Scocie."⁵

Robert III ascended the throne in 1390, and in April, 1398, he created his son, David, Duke of Rothesay—"filium suum primogenitum comitem de Carrik David in ducem Rosay creavit."⁶ "Duke of Rothesay" became the chief title of the heir to the Scottish Crown. It is argued by MacLeod⁷ that the title "Prince of Scotland" had already been created by this time; but in 1399 David is described as "Dominus David Dux Rothesaye comes de Carric,"⁸ and had a title "Princeps Scotie" then been in existence we should expect it to have taken precedence over all other titles. True, in the *Book of Pluscarden* we find, "Dux Rothsay, David princeps, primogenitus regis Roberti,"⁹ but here "princeps" is only used in its long-established meaning of "son of the king,"¹⁰ and there is clearly no intention of implying any other honour. Furthermore, following the foul murder of David at Falkland Castle in 1402, it is significant

¹ *Exchequer Rolls*, VI, xciii.

² *Acts Parl. Scot.*, I, 531.

³ On the Earldom of Carrick, see Andrew Carrick, *Account of the Ancient Earldom of Carrick* (ed. James Maidment), 1857; Dr. Seton is in error in stating that the title Earl of Carrick fell to the Crown in 1344. It was certainly merged in the Crown from the accession of Bruce (1306), was held by David II at any rate from 1328 to 1332, was again in possession of the Crown in 1361-2, when it was given to Sir William Cunningham (*Reg. Mag. Sig.*, I, 113), and, finally, being given away in 1368 to John Stewart, returned to the Crown when he became King (1390).

⁴ On the Stewarts of Scotland, see Crawford, *op. cit.*; MacLeod, *Casus Principis* (1791), xix et seq.; *Scots Peerage*, Vol. I.

⁵ *Acts Parl. Scot.*, I, 546. Upon his accession he changed his name to Robert, thus becoming Robert III. John was considered to be an ill-omened name for kings and the change was made with the full consent of the Estates of the Realm.

⁶ *Pluscarden*, Bk. X, c. 11; *Registrum Moraviensis* (Bannatyne Club), p. 382.

⁷ *Casus Principis*, xxii-xxiii.

⁸ *Exchequer Rolls*, III, 470.

⁹ *Pluscarden*, Bk. X, c. 15.

¹⁰ Cf. *Ducange*, s.v. This use of the word "princeps" will be found both in earlier and in later times.

that history and popular tradition alike have perpetuated the crime as the murder of the Duke of Rothesay, never the murder of the Prince of Scotland.

With David's death, James, the third son of Robert III, became heir to the throne; and this brings us to the so-called Charter of Erection. In December, 1404, Robert III granted to his only remaining son all the lands of the Stewartry (that is, the hereditary lands of the Stewarts), the Earldom of Carrick, and the Isles, to be held in life-rent only. The charter runs:

"Robertus, Dei gratia, Rex Scotorum, etc. Sciatis quod concessimus clarissimo filio nostro et haeredi Jacobo senescallo Scotiae quod habeat teneat et possideat pro toto tempore vitae suae omnes et singulas terras suas senescalliae Scotiae, viz. Baroniam de Renfrew cum pertinentijs suis, Baroniam de Cunninghamham cum pertinentijs suis; Baroniam de Kyle Senescalli cum justis suis pertinentijs jacen. infra vicecomitatum de Air, Baroniam de Rathow cum suis pertinentijs; Baroniam de Innerwick cum suis pertinentijs jacen. infra vicecomitatum de Edinburgh; Totas et integras terras insularum de Bute, Arran, et Cumbray majoris et minoris; Totas et integras terras de Cowal et Knapdail cum omnibus suis justis pertinentijs; Totas et integras terras totius comitatus de Carrik cum omnibus suis justis pertinentijs, totas et integras terras de Kyle Regis cum debitis et justis suis pertinentijs jacen. infra vicecomitatum de Air; IN LIBERAM REGALITATEM SEU REGALIAM, etc. In cujus rei testimonium, etc.¹

By far the most important part of this charter, so far as we are concerned, is the last clause, "in liberam regalitatem seu regalem." Dr. Seton, in his article to *The Times*, stated that the holding was "in free Regality," and therein he followed the general assumption that the dual holding "in liberam regalitatem seu regalem" is equivalent only to ordinary regality tenure ("in liberam regalitatem"). This equation, however, seems to be open to some doubt, although "seu" usually does combine words that are synonymous. The possibility that there was some known distinction between the two holdings cannot be disregarded, and here it is of the utmost importance.

Briefly stated, is it not possible that the distinction was the essential one between Regality and Royalty? Regality, as Craig defines it, is "nihil aliud nisi jus et jurisdictionis privilegium in aliquo dominio a Rege impetratum, quo illius Regalitis sive privilegii dominus actionem tam civilem quam criminalem a judice ordinario evocare potest (nos replegiare dicimus),"² and this conforms with

¹ Abstract from *Public Records concerning the Stewartry and Principality of Scotland*, etc. (1824), p. 2 (British Mus. P.M. 808.1.3); Crawford, *op. cit.*, Appendix I; MacLeod, *op. cit.*, p. 59. An abridged translation is given in *Mar and Kellie Papers* (Hist. MSS. Comm.), p. 7.

² *Jus Feudale*, II, xx, 27.

the general cases that are to be found.¹ The privileges of the Lord of Regality, however, depended entirely upon his charter of erection, and in some cases the privileges granted were so full as to include a Chancery for the issue of writs,² the right to try the four pleas of the Crown (which were denied to the sheriff),³ the right to hold Justice and Chamberlain Ayres,⁴ and apparently in certain cases full rights of Admiralty.⁵ With these privileges a Regality was enabled entirely to exclude the officers of the King. It was becoming more than a Regality; it was becoming a Royalty, its Lord having powers almost equivalent to those of a King.⁶ And this was recognized, for in these full grants the Lord does not hold "in liberam regalitatem," he holds "in free regality or royalty." Craig, in fact, appears to make the holding "in regalia" one definitely by itself; but, in its Scottish usage, the present writer has no recollection of any charter giving this highest privilege.⁷

By the erection of 1404, therefore, the eldest son of the King was granted *his own lands* with the privilege of holding them in free regality or royalty.⁸ The charter grants nothing new except that privilege, but thereby he is entitled to hold his lands in the same manner as that in which his father governs the rest of Scotland.⁹

¹ Cf. the frequent holdings "in liberam regalitatem cum furca et fossa."

² *Liber de Calchou* (Bannatyne Club), II, no. 517; *Chartulary of Cambuskenneth* (Grampian Club), no. 91; *Jus Feudale*, II, xvii, 22, 26.

³ *Reg. Mag. Sig.*, I, 390; Erskine, *Institutes*, I, iv, 8. This applied to ecclesiastical as well as to baronial regalities (*Reg. Mag. Sig.*, II, 523, 575). Bellenden denies this privilege (*Discours Particulier*, p. 17), probably correctly since he is referring to the ordinary Regality; but see Mackenzie, *Laws and Customs of Scotland in Matters Criminal* (1699), II, xi, 2, 5.

⁴ *Reg. Mag. Sig.*, II, 522, 575; *Charters and Documents relating to Glasgow* (Burgh Rec. Soc.), Vol. I, Pt. ii, no. 21; *Acts Parl. Scot.*, II, 74b; *Registrum Honoris de Morton* (Bann. Club), II, nos. 180, 182.

⁵ *Scot. Hist. Rev.*, XX, 126-8; *Acts Parl. Scot.*, VIII, 493b.

⁶ In 1320, a Roxburgh jury, in answer to a question as to the tenure by which the Lord de Vescy had held Spruceton, declared that he had held it *regaliter*; that he had held it regally by the same liberties as King Alexander held his lands when he reigned; and that he had the right to have his own Justiciary, his own Chamberlain, his Chancellor, his Coroner, his Sergeants, and also his standard measures, in the manner of the said King Alexander. *Trans., Dumfriesshire and Galloway Nat. Hist. and Antiq. Soc.*, 1905, p. 401; cf. also *Jus Feudale*, II, xx, 27.

⁷ *Jus Feudale*, I, xvi, 7-44. I would like to add that my distinction between "in liberam regalitatem" and "in liberam regalitatem seu regalia" is, at present, only a tentative suggestion. For "seu" should we read "seu secundum" or "seu potius"? Although the context supports the conclusion which I have advanced I should not like to assert that my proof is at all positive.

⁸ This is undoubtedly the meaning of the *Tenendo* clause. Similarly, when James II granted to his Queen certain lands in Edinburgh and Renfrew the holding was "in liberam baroniam ac specialem regalitatem seu regalia" (*Reg. Mag. Sig.*, II, 544).

⁹ In the Act of 1489 it is stated that when there is no Prince the vassals of the Principality shall come to Parliament. *Acts Parl. Scot.*, II, 221, c. xvii. This appears to imply that the Principality was directly under the Prince, and not (when there was a Prince) under Parliament.

The Stewart lands are erected into a separate kingdom, as it were, and although there is as yet no mention of the Principality, these lands of the eldest son of the King were eventually formed into a Principality of Scotland, from which the Prince assumed his title "Prince of Scotland."

As King, James still held these lands, but held them not as Prince of Scotland but as Steward of Scotland, and held them *in cumulo* with his Crown.¹ His first son died in infancy, and his second son, although occasionally called "Jacobus princeps," was not called Prince of Scotland but used "Duke of Rothesay" as his title.² Upon the assassination of the King in 1436-7 it would appear as though the erection lapsed since it was in life-rent only.

The charters of the following years afford little evidence, save that the King still holds the lands as Steward of Scotland when there was no heir to the Crown.³ James, son of James II and later James III, was not styled "Duke of Rothesay," and though frequently called "princeps" the evidence of the Exchequer Rolls seems to show that this title merely meant "son of the King."⁴ In 1473 "Duke of Rothesay" is still the first title of the heir apparent.⁵ In February, 1477-8, we read "Rex, post generalem revocationem, cum consensu et deliberatione trium regni statuum, commisit Mergarete Regine Scotie conjugii sue et consorti,—regimen, gubernationem et custodiam Jacobi ducis de Rothsay, etc., filii sui primogeniti, pro 5 annis," etc., together with the custody of the castle of Edinburgh for the same period,⁶ and in 1478-9, in a most important document, James, son of James III, and later James IV, is merely styled "Jacobus primogenitus dicti Jacobi Regis."⁷

Thus, despite the erection of 1404, it would appear as though the title "Prince of Scotland," and with it the actual formation of the Principality, had not yet come into being.

Between 1467 and 1477, however, according to Carmichael's argument, the charter of erection was made permanent, Parliament at the same time agreeing that the lands should constitute the Principality of the Prince.⁸ Certainly, in 1482, the title "Prince of Scotland" is definitely used in connection with lands in the old erection,⁹ and in 1489 the title "Prince" is used in an Act of Parliament relating to the whole "Principality."¹⁰ By that time, therefore, the Stewart lands had been erected into a Principality of which the eldest son of the King was Prince. From the end of the century

¹ *Reg. Mag. Sig.*, II, 63, 77, 128, etc.

² *Exch. Rolls*, Vol. IV.

³ *Reg. Mag. Sig.*, II, 258, 259, 264, etc.

⁴ *Exch. Rolls*, Vol. V.

⁵ *Reg. Mag. Sig.*, II, 1127, 1132, 1214, and numerous others.

⁶ *Ibid.*, II, 1361.

⁷ *Ibid.*, II, 1417.

⁸ *Cit.*, Dr. Seton. See also *Abstract, etc.*, cap. xiii.

⁹ *Abstract, etc.*, p. 75, c. vi. This charter is not printed in the Record edn. of the *Reg. Mag. Sig.*

¹⁰ *Acts Parl. Scot.*, II, 221, c. xvii.

onwards the title "Prince of Scotland" becomes definitely established.¹

Dr. Seton now tells us that "In the Great Seal Register, reign of James IV, there are numerous grants made by the King on behalf of his eldest son 'Jacobi, principis et seneschalli Scotie,' 'James, Prince and Steward of Scotland,' ranging from March, 1507, to July, 1513. The next holder of the title was Henry Frederick, eldest son of James IV (VI?)." This overlooks the most significant fact in the history of the title.

When James, the infant son of James IV, was born, the King granted charters relating to lands in the Principality in the name of the young prince—"Rex, tanquam tutor filii sui primogeniti Jacobi principis et seneschalli Scotie, confirmavit, etc."² James died in infancy, and when the second son, Arthur, was born a similar procedure was adopted.³ Arthur, also, died in infancy, and with the birth of a third son, James, later James V, the same formality was carried out.⁴ But by no means was Henry Frederick the next holder of the title.

James V ascended the throne in 1513, his two sons, James and Arthur, both died in infancy,⁵ and not until he lay on his death-bed at Falkland, in 1542, was the ill-fated Mary born.⁶ Meanwhile he had not hesitated to call himself Prince of Scotland. In 1525 we find a charter "Jacobus . . . Dedissee dilecto nostro Jacobo Kennedy terras de Lochland in balliatu nostro de Carrik . . . Tenend.

¹ The use of the title "Prince of Scotland" by the older Scottish historians when referring to the eldest son of the King in the period prior to the latter half of the fifteenth century is therefore, as Dr. Seton pointed out, an anachronism. Modern historians, also, are not always too careful. Bain speaks of Alexander, eldest son of Alexander III, as "Prince of Scotland" (*Cal. Scot. Doc.*, II, 220), when a reference to the *Foedera* shows that the titles used were "filius regis Scocie" and "primogenitus regis Scocie" (Rymer, *Foedera*, I, 613). All the evidence points to the fact that the honour was not created until the latter half of the century and did not spring from the charter of 1404.

² *Reg. Mag. Sig.*, II, 3086, 3099, 3118, 3175. It is noticeable that in the Exchequer account James is called "primogenitus filius domini regis," but in the attached charter referring to lands in the Principality he is called "Princeps Scotie et Insularum" (*Exch. Rolls*, XIII, 40).

³ *Reg. Mag. Sig.*, II, 3381, 3484.

⁴ It must be remembered that there were three sons born between 1507 and 1513, of whom the first two died in infancy, and not merely one son, James.

⁵ But compare *Reg. Mag. Sig.*, III, 2164, in which we find the first son, James, bearing the title "Prince of Scotland."

⁶ Pitscottie's picturesque account is well worth reprinting: "Be this the post cam out of Linlithgow schowing the King guid tydingis that the queine was delyverit. The King inquyred whidder it was a man or a woman. The messinger said it was ane dair dochter. The King answeired and said, 'Fair-weill, it cam with ane las and it will pas with ane las'; and so he commendit himself to the Almighty God, and spak litle from thenforth, bot turned his back to his lordis and his face to the wall," and, after a space, "he turned him vpoun his back, and lookit and beheld all his lordis round about, and gave ane litle lauchter, syne kissed his hand, and gave it till all his lordis about him, and thaireftir held vp his handis to God, and yeldit the spirit."

de nobis et successoribus nostris Principibus Scotiae.”¹ In 1526 he grants a charter of lands in the Principality as “Rex, tanquam Princeps Scotie,”² and in 1533 lands in the Principality are to be held of him “de rege, tanquam principe Scotie.”³

In the next reign, Mary, before her son James was born, likewise assumes the title. In 1543 she grants lands in the Principality as “Regina, tanquam princeps et senescalla Scotie”⁴; in 1544 as “Regina, tanquam princeps Scotie et comitissa de Carrik”⁵; in 1544-5 as “Regina, tanquam principissa et senescalla Scotie”⁶; and in 1545 as “Regina, tanquam principissa Scotie et comitissa de Carrik.”⁷ James VI, as King, also styles himself Prince of Scotland. In 1593-4 he is “princeps et senescallus Scotie,”⁸ and in May, 1594, although Henry Frederick had already been born, he still assumes the title and honour.⁹

Dr. Seton fails to mention this essential fact, that when there is no heir to the throne it is the reigning Sovereign who bears the title. The reason, as Sir George Mackenzie points out,¹⁰ is quite clear. If the Principality, when an heir was lacking, did not return to the Crown to be held *in cumulo* therewith, the erection would, under feudal law, automatically come to an end. And further charters in support of this can be found in the reigns of Charles I, Charles II, James II, William and Mary (“Tenend. de nobis Principe et Principissa Senescallo et Senescalla Scotiae”) and Anne (“Tenend. de nobis nostrisque regiis successoribus Principibus et Senescallis Scotie”).

In this respect the title is akin to those of “Earl of Carrick” and “Steward of Scotland.” The custom was for the King to use the title relating to the territory in which the lands involved happened to lie. For lands in the Earldom of Carrick he called himself “Earl of Carrick”¹¹; for lands in the Stewartry, “Steward of Scotland”¹²; and for lands in the Principality, “Prince of Scotland.”¹³

The title, therefore, is connected only with one particular portion of Scotland—especially, it will be noted, with Renfrew. The son of the King, as Prince of Scotland, is Baron of Renfrew (as H.R.H. the Prince of Wales styled himself in his recent visit to Canada), or, more fully, Prince of the Principality. He is not Prince of the whole of Scotland, although he is heir apparent to the Crown thereof.

In addition to the charters showing how the Sovereign assumed

¹ *Abstract, etc.*, p. 5.

² *Reg. Mag. Sig.*, III, 408.

³ *Ibid.*, III, 1278; also, 1319, 1501.

⁴ *Ibid.*, III, 2978; also, III, 2982, 3036; IV, 137, 169, 186, 192, etc.

⁵ *Ibid.*, III, 3025; also, IV, 95, 172.

⁶ *Ibid.*, III, 3076.

⁷ *Ibid.*, III, 3159; also, IV, 151, 195.

⁸ *Ibid.*, VI, 55; also, IV, 1923, etc.

⁹ *Ibid.*, VI, 98.

¹⁰ *Observations on the Acts of Parliament* (1686), pp. 99-100.

¹¹ *Reg. Mag. Sig.*, II, 416, 1877; III, 235, 3025, 3159; IV, 65, etc.

¹² *Ibid.*, II, 63, 77, 1891, 2047, 3361, 3680; III, 55, 287, 507, 956, 3177; IV, 65, 1731 (Mary and Darnley are “senescalli Scotie,”) 1807, etc.

¹³ Similarly other territorial honours are assumed, for example, Earl of Athol and Earl of Fife. Cf. *Reg. Mag. Sig.*, II, 181 (Earl of Athol), and II, 561 (Earl of Fife).

the title of Prince of Scotland for acts relating to lands within the Principality when there was no direct heir, further proof that the title was connected only with the Principality can be found in innumerable places. When a charter was given by the King conveying lands both within and without the Principality a clear distinction was always drawn. The lands in the Principality were to be held "de rege tanquam principe Scotie," the lands without to be held "de rege."¹ The Revocations of the sovereigns from James V onwards all connect the title "Prince" with the Principality, as does the Act of 1489, the first enactment of Parliament relating thereto. And in Balfour's *Practicks* we find the legal decision laid down :

"Landis pertening to the Prince of Scotland, and beand annext to the Principallitie, may not be set in few ferme, nor annalzeit without consent of the Prince : And gif the King disponis the samin landis, makand na mentioun in his dispositioun, that he disponit thame as Prince ; the infestment, alienatioun, or dispositioun, is of nane avail and may be reducit. . . . Because landis of the Principallitie, that is landis pertening to the Prince, as Prince and Stewart of Scotland, may not be gevin and disponit be the King, as King, bot be the King, as Prince and Stewart ; swa that the samin be done with consent of the thre Estatis."²

If, therefore, the title "Prince of Scotland" be revived, as undoubtedly it may be (for the eldest son of the King still receives a very small revenue from his Principality), it must be clearly understood that the title refers only to a few lands in the south-west of Scotland, especially Renfrew, and not to the whole of Scotland as would be popularly inferred. This divergence in usage between the title Prince of Scotland and that of Prince of Wales is a strong reason why the two should not be combined. James VI, a monarch ever seeking to add to the dignity of the Crown, certainly did combine them, and called Henry, "Princeps Scotie et Vallie,"³ a title which he similarly bestowed on Charles after Henry's death.⁴ But James also created such styles as "Princeps Magne Britannie,"⁵ and "Princeps Magne Britannie, Francie, et Hybernie,"⁶ thereby not only disregarding historical sequence in the case of the title "Prince of Scotland," but also assuming the existence of a title "Prince of England."⁷ These styles did not endure, and later Sovereigns (when for a long time England had no heir to the throne)

¹ Compare also the distinctions made in *Reg. Mag. Sig.*, II, 1901 ; III, 2164, 2188 ; VII, 567. Also see *Abstract, etc.*, p. 7, cap. vii.

² *Op. cit.*, p. 134, c. vii.

³ *Reg. Mag. Sig.*, VI, 1926.

⁴ *Ibid.*, VII, 2041.

⁵ *Ibid.*, VI, 2188 ; VII, 876.

⁶ *Ibid.*, VII, 1325. It is to be noted that in Middle Latin "princeps" means, more often than not, simply "King."

⁷ It is interesting to note that Crawford starts his list of the honours of the Prince of Wales with the title "Magne Britannie Princeps," omits the title "Princeps Scotie" altogether, includes the title "Vallie Princeps," but places it after the honours Duke of Cornwall and Rothesay. *Op. cit.*, App. III. Crawford wrote at the beginning of the eighteenth century.

appear to have followed strict historical usage when assuming the title "Princeps Scotie."

A further distinction to be borne in mind is that the title Prince of Wales was borne by the son of the King of *England*, Wales being a dependency of the English Crown. On the other hand, the Principality of Scotland was never a dependency of the Scottish Crown, but was held almost as a separate kingdom,¹ and if people erroneously assume that the title Prince of Scotland refers to the whole of Scotland, will they not also assume that Scotland is a dependency of England? It may be urged that such loose reasoning is most unlikely, but the distinction cannot be disregarded.² And still a further distinction lies in the fact that the reigning Sovereign can be Prince of Scotland, but he can never be Prince of Wales.

For all these reasons it would appear undesirable to revive the old title "Prince of Scotland," especially if it were to be used in conjunction with that of Prince of Wales. There is, however, one Scottish dignity subject to none of these objections, and one which the Prince could fitly bear when journeying north of the Tweed. The title "Duke of Rothesay" differs entirely from the other titles, Prince of Scotland, Steward of Scotland, and Earl of Carrick. When there was no heir to the Scottish throne the King did not assume the title Duke of Rothesay; the title was not a territorial one and did not fall to the Prince as soon as he was born (as was the case with the other three), but had definitely to be bestowed.³ In these respects it is similar to the English title Prince of Wales. Some of the titles of the English Prince fell to him as soon as he was born, but he had definitely to be created "Prince of Wales,"⁴ and the English King could not assume that designation.

If, therefore, some Scottish title is wanted to balance that of Prince of Wales, the most suitable title and the one nearest in nature appears to be—DUKE OF ROTHESAY.

¹ In 1620, James VI drew up a scheme whereby his son Charles should issue charters of lands in the Principality or Stewartry in his *own* name and not, as before, in the name of the King. This was equivalent to making the Principality a completely separate kingdom. For the history of this scheme see *Abstract, etc.*, pp. 12-25.

² At the time of the Union of 1707 Scotland was particularly blind to the benefits she would receive purely through fear of surrendering the independence she had maintained through so many centuries of bitter struggle. Any suggestion that Scotland was not an equal partner with her southern neighbour would at once lead to a renewal of the old arguments that Scotland by Union had surrendered her liberty, and that her incorporation with England was only similar to that "of the poor bird when the hawk hath swallowed it."

³ James I, and James III, appear never to have been made "Duke of Rothesay," and Burnett, judging from the Exchequer accounts, says they were never so called (*Exch. Rolls*, VI, xciii, n. 3). So far as my recollection goes, the Prince was usually created Duke of Rothesay at his baptism.

⁴ MacLeod states that Edward III, Henry IV, Henry V, Edward IV, Richard III, Henry VII, Edward VI, Mary, Elizabeth, James I, James II, William, Anne, and George I, were never created Prince of Wales. In many of these cases, of course, the reason is obvious.

Correspondence

To the Editor of ECONOMICA

DEAR SIR,—

An Academic Study of Some Money Market and Other Statistics.
By E. G. PEAKE.

In the issue of your journal for November, 1923, appears a review of the above-named book, in which the reviewer attacks Mr. Peake on the grounds that he has used the Calculus of Probability ignorantly and erroneously, and that his results are, therefore, valueless.

I should be obliged if you would give me a small amount of your space to reply to this criticism, for I assisted—mathematically—at the production of the book. In doing so, I do not wish to inflict any mathematics on your readers, except to say that those who have devoted sufficient time to the study of mathematical statistics will probably prefer Mr. Peake's method of correlating a discount rate with a difference from that rate, to your reviewer's, which (like the Butcher in the Classics, who "could only kill beavers") has the disadvantage that it can only give the value -1 . They will also recognize that in correlating first differences Mr. Peake is only following in the footsteps of Mr. Yule himself.

In fact, with regard to the various mathematical points at issue, Mr. Peake appears to be substantially right, but there is one matter to which I would like to refer at greater length—the non-publication of "probable errors." The writer who wishes to use the methods of modern statistics is faced by a dilemma. The actual calculations are generally within the mathematical powers of a boy of twelve years of age, but the reasoning that has led to their use is beyond those of an average university graduate, while the mathematical symbols are as repulsive to the uninitiated of this generation as "those damned dots" were to those of a former one. If a writer uses the symbols and language of the science, he will repel a large class of readers, who might derive benefit from his researches, while if he does not he lays himself open to charges such as those of your reviewer.

Mr. Peake deliberately left out the probable errors from his book, relying on the cumulative effect of his series of correlation coefficients rather than on the exact "significance" of any one of them, hoping thereby to attract the layman to the study of a science which can give definite answers to such practical questions as "What is

the apparent relationship between spot and forward rates of exchange ? ”

He has drawn attention to some facts which do not appear to have been noticed before, a knowledge of which should be useful to some of those engaged in the Money Market ; his volume was not intended to be a mathematical treatise, but merely an attempt at the use of applied statistics—and, after all, applied statistics are meant to be applied.

The picturesque quotation with which the review opens, appears to be scarcely relevant.

W. S. GOSSET.

[My opening quotation was not picturesque ; it was frankly impolite, and I apologize to Mr. Peake for my lapse in this matter. Moreover, my suggestion that a partial correlation formula was to be preferred to the ordinary formula used by Mr. Peake in Table VII, on the ground of the dependence of the correlation of the difference with either variable upon the correlation between the variables themselves, was quite wrong. Mr. Peake was correct in using the formula that he did, but as he gives us no measure of the possible play of chance in the correlations, we cannot tell whether the results obtained have any meaning beyond the generalization, deducible *a priori*, that the difference has the higher correlation with the more variable of the two rates, which is familiarly known to be the floating rate. The variation in the coefficients over the year, for example, to which Mr. Peake appears to attach importance, may or may not have significance.

As to the forward difference correlations, Mr. Peake uses, for the most part, not simple differences, but differences from the current value to the *average* of several succeeding values. My question was as to the interpretation of such coefficients in view of inter-relationships among the values. If a measure of forward relationships was desired, why should not use have been made of multiple regression applied to the successive monthly differences during the currency of the Bills ? And, in any case, might it not have been well to eliminate long-period tendencies first instead of relying upon the differences to do so ?

It seems, finally, hardly a reason for not publishing probable errors that reliance was placed upon the cumulative effect of the coefficients yielding small values and based upon small samples, particularly where arguments are drawn from variation within particular series of coefficients. Apart from such arguments, however, might not at least the probable error of the average of particular series of coefficients have been given to satisfy those of us who have more belief in a number which measures cumulative effect, than in the accumulation itself ?—M. TAPPAN.]

Book Reviews

The Theory of Social Economy. By Professor GUSTAV CASSEL.
Fisher Unwin. 1923. Two vols., pp. vii.+654. 42s.

Professor Cassel, in his Preface, expresses the hope that "English students will find the present treatise, although its reading without doubt requires a certain amount of thinking, to be the easiest and most direct way to get access to those great economic and social problems of the day for the understanding of which they undertake the trouble of economic training." His translator and his publisher have placed unnecessary difficulties in his way. Professor Cassel himself, as those who are familiar with his other writings know, can write excellent English. But this book, unfortunately for the English public, he wrote in German, and his translator's English is half German still. Mr. Fisher Unwin, moreover, has restricted its probable sale by charging too high a price and by padding it out on thick paper into two large volumes, as though it were a book of travel or the reminiscences of a lady of title. We must hope for a cheaper, more compact and more English edition before long.

On its merits the book is assured of a high place in modern economic literature. As a fellow-countryman of his once vividly expressed it to me, "Professor Cassel makes a big international noise."

He is the better able to do this because he moves in the main stream of economic tradition, and is at the same time keenly critical of it. His general point of view is widely acceptable in influential circles, though many of his opinions are startling. He is an orthodox iconoclast. The present book consists of four parts: a General Survey of the Social Economy, the Pricing of the Factors of Production, Money, and the Theory of Conjuncture-Movements (which may be rendered into English as "trade cycles"). The argument of this fourth part is largely based on statistical tables and charts.

The first three parts, on the other hand, are highly abstract. The theoretical discussion is amazingly well-sustained, but some readers, I think, would welcome a few more beads of illustrative example on the string of generalisation.

The central feature of the book is the theory of prices in a self-contained "exchange economy," where, within the limits of their incomes, individuals are free to determine their employment and their consumption. The purpose of the price-fixing process is, then, to secure "the realisation of the general economic principle," or,

in other words, "to secure as well as it can an adjustment between wants and the means of supplying them." Professor Cassel stresses the inter-dependence of prices, and the dependence of supply and demand on prices, rather than conversely. The demand for (or supply of) a commodity is a function, not only of the price of that commodity, but of the prices of all other available commodities. For "the demand of the individual consumer for a particular article is not determined until the prices of all articles that can be objects of his demand at all are fixed." The price-fixing process thus resolves itself into the solution of a system of simultaneous equations, equal in number to the goods to be priced, these goods including the means of production as well as consumable commodities. Professor Cassel objects to the customary plan of isolating, under cover of *ceteris paribus*, the conditions of demand and supply for particular goods in order to explain how their prices are determined. It is noticeable, however, that he adopts practically this method when discussing the pricing of the means of production, and it is not clear that there is any alternative route from the system of simultaneous equations to practical pricing problems. He attacks with great vigour many of the leading doctrines of Marshall. He wishes "to do away with the whole of the old theory of value as an independent chapter of economics and build up the science from the beginning on the theory of prices." He has little use for the conceptions of marginal utility and marginal productivity, neither of which is "the determining factor of the price." Even "the principle that the marginal utility is equal to the price is by no means generally sound." "It is impossible to give an exact definition of what is called the 'consumer's surplus,' since 'the money scale in which the article is valued has no definite meaning except in terms of actual prices.'" He rejects Marshall's idea of real cost in terms of efforts and sacrifices, and his separate treatment of rent in relation to cost of production. "It is obviously wrong, as Marshall observes, to represent the ground rent as a factor regulating the price of the product. But that applies also to the price of every other factor of production. The prices of all the means of production and products have the same position in the pricing problem as unknown quantities which are settled only by the independent determining factors of the pricing process, and then settled all together." Ricardo's theory of differential rent goes by the board, and "the distinction that Marshall makes between 'rent' and 'royalty' seems one that cannot be sustained." It is impossible, within the limits of a review, to consider these and other criticisms in detail. Some appear insubstantial, and a few seem to rest on misunderstandings, but others are undoubtedly important. Some of the latter have already won their way to acceptance in certain economic circles in England. There is, for instance, a close resemblance between some of Professor Cassel's criticisms and those with which Professor Cannan, in unpublished lectures, has familiarized

students in London, while even at Cambridge, I think, consumer's surplus is now a somewhat faded flower, and the doctrine that "rent does not enter into the cost of production" is no longer insisted on.

There are interesting references, at various points, to the theory of a Socialist society, which, as distinguished from a Communist society based on "the gratis principle," Professor Cassel treats as a special case of his "self-contained exchange economy." His general theory of such an economy is intended to be independent of institutional variations and to be applicable to a regime of public, no less than of private, ownership and control of land and capital. He argues that, if a Socialist society is to work satisfactorily from an economic point of view, it must retain the present price-fixing process. "The Socialist system is bound to calculate the prices of all goods supplied to consumers primarily according to the principle of scarcity." This applies also to the prices of the means of production and to the prices paid for work. "The price for every variety of work must be high enough to restrict the demand." A Socialist State would have to charge interest, even though it decided for itself the total amount of saving. It would have to charge rent for land, even though it decided for itself how fast natural resources should be used up. As regards wages, "the Socialist community would find that real social progress could be obtained, not by transferring income from one class of society to another, but merely by measures which raise the value of inferior labour." This is a quite conceivable framework of a Socialist economy. The theory might well be elaborated further, and alternative possibilities, involving successive modifications of the exchange economy, might also be worked out. This is a field of speculation, where most economists hitherto have feared to tread. Professor Cassel's views on money are familiar, but his theory of trade cycles will be new to English readers. It is primarily based on a statistical study of the period 1870-1914. He argues that fluctuation is practically confined to the constructional trades, and that, in periods of boom, workers are drawn into constructional industry, not only from the ranks of the unemployed, but from agriculture. It is the agricultural population which constitutes the real "industrial reserve army." But this migration from agriculture to industry cannot go on indefinitely; in highly-industrialised countries it must have nearly reached its limit. Hence "we reach the important conclusion that trade cycles are, to a very great extent, a phenomenon of the period of transition from the old economic forms to the modern." Rapid growth of population, however, may prolong and intensify these fluctuations. This general idea is, I think, a new contribution to the discussion, but it needs further investigation. Professor Cassel, however, passes from this qualified optimism to almost unqualified pessimism when considering other possible remedies for the trade cycle. He attributes the stimulus to constructional trades chiefly to the low rate of interest during the slump,

but, rather curiously in view of his insistence elsewhere on the potency of variations in the bank rate, he does not seem to have much faith in the now fashionable remedy of monetary stabilisation.

Looking at these two volumes as a whole, there are some noticeable gaps. Prof. Cassel appears to restrict the scope of economic theory to the theory of prices. "General social and economic policy has a much broader sphere than theoretical economics proper. The work of the latter is to elucidate pricing." Such a restriction is arbitrary and leads to the exclusion of much that is important. Thus it excludes the whole theory of personal, as distinct from functional, distribution and of the comparative effects of property law. It excludes also the theory of population, though some reference is made to this in the discussion of wages. It should not exclude the theory of monopoly, but this is, in fact, one of the most remarkable omissions of all. For the use of monopolistic power strikes at the root of that adjustment of means to wants, which is presumed in the "exchange economy."

Though, however, Professor Cassel's *Theory of Social Economy* cannot be said to cover the whole field of economic theory, it covers certain parts of the field with remarkable brilliance. It will become a great breeding ground for thought and discussion among students, more especially because of its doctrinal form. Its author has been called an "economic virtuoso." His method is to work in terms of clear-cut propositions, unsmudged by qualifications or hesitations. This method may not always maintain contact with the real world, but it is apt to be more stimulating and provocative than any other.

HUGH DALTON.

Foundations of Agricultural Economics. By J. A. VENN, M.A.

Cambridge: The University Press. 1923. pp. xiv.+397. 16s.

Rural Reconstruction. By HENRY W. WOLFF. London: Selwyn and Blount. 1924. pp. 363. 15s.

The Agrarian Revolution in Roumania. By IFOR L. EVANS. Cambridge: The University Press. 1924. pp. xvi.+197. 12s. 6d.

Each of these three contributions to the study of the economic aspects of agricultural conditions is significant in its own way as much for what is attempted as for what is achieved.

Mr. Venn's work consists of a series of essays upon "the origin and incidence of the numerous economic problems which affect the agricultural community." In seventeen chapters he surveys Methods of Land Tenure, Size of Holdings, Tithes and Taxes, Peace and War Conditions in Agriculture, Methods of Marketing, Agricultural Co-operation, the Wheat Supply of the United Kingdom, Forestry Conditions, and the position of Agricultural Statistics. Without doubt he brings together interesting and useful information upon many of the topics with which he deals, and he exercises considerable judgment in appreciating his facts, as for example in his chapter upon Agricultural Co-operation, where discrimination is shown in assessing the possibilities of the British movement, for

which he deserves credit. On the other hand, Mr. Venn's book suffers from certain handicaps. The first is a certain lack of freshness in outlook and a lack of clearness in arrangement ; the chapters upon British Agriculture in Peace and War are blanketed, as it were, by Sir Thomas H. Middleton's study of " Food Production in War," and, again, the chapters upon Marketing suffer because of the Linlithgow Committee's reports upon the prices and distribution of agricultural produce ; in other parts the same thing happens. This may, of course, be due to the fact stated by Mr. Venn, that the material was in the form of lecture notes ; but many books retain freshness although their information may require to be supplemented, and here the question of the arrangement of material in the chapters deserves Mr. Venn's attention : he seems to be overburdened with historical material to such an extent as to cramp altogether his outlook upon the present agricultural problems and, consequently, he is unable to achieve either a historical study or an analysis of economic problems affecting agriculture.

This brings one to the second difficulty, namely, the title of the book, the *Foundations of Agricultural Economics*. What, precisely, does this mean ? Mr. Venn seems to have set up a standard in his title which diminishes the value of his own useful essays by unduly raising the hopes of his readers. There is clearly room at present for an accurate description and analysis of the present economic position of British farming, that might be called a groundwork of rural economics ; or again, a statement of general economic theory which aimed at sifting and interpreting business conditions in agriculture, might be named a treatise on rural economics and would be of considerable use in Colleges of Agriculture ; a historical account of agricultural development might even be termed " historical foundations " ; but Mr. Venn would hardly claim to have achieved any of these aims, although his method of approach and his general attitude towards historical material leads one to suppose that the last-named subject is mainly in view. Mr. Venn is certainly entitled to credit for this contribution to a new field of study in which many men will work before such a subject as Rural Economics will take satisfactory shape.

Mr. Wolff's object in writing this book is to bring forward and explain certain constructive schemes of agricultural organization practised in other countries, such as the United States, Canada, Italy, Russia, France, Belgium, and so on, with a view to making suggestions for the improvement of the British position. He deals with training for country life, the teaching of the cultivators, the co-operative movement, the provision of capital for agricultural enterprise, the business methods of farmers, the methods of creating sound agricultural settlements, the conditions of agricultural labour, the opportunities of village industries and allied topics. A great deal of interesting information is packed in a somewhat haphazard way into this discursive volume, and some allowance has to be made

by critical readers for Mr. Wolff's method of presenting the schemes which he champions. Here again there is obvious room for a careful and detailed study of foreign and colonial agricultural organization with a view to considering how far British conditions could be improved by encouraging a similar development, but Mr. Wolff does not supply that need. The treatment is too casual and unsystematic to allow full reliance to be placed upon the accounts given of foreign organizations; further, Mr. Wolff is too much of an advocate of schemes such as agricultural co-operation to adopt the necessary attitude of criticism and to have a due sense of proportion. The ground which he covers is so extensive that he is unable to supply the background of agricultural description which alone would allow a reader to assess the possible value under different conditions of the constructive ideas which he puts forward. While much of what he writes upon agricultural education, tenancy and ownership of farms, the supply of capital to farms, and so on, is interesting, it has little critical value since it has not been thought out with due reference to differing conditions. Again, many of Mr. Wolff's unsupported views, such as his bias for small holdings and his unsound interpretations of Sir Thomas H. Middleton's comparison between British and German agriculture, would be at once queried by an informed reader. With these reservations the book can be commended as the work of a writer who has had a long and distinguished acquaintance with agricultural questions.

The account given by Mr. Evans of the Agrarian Revolution of 1917-18 onwards in Roumania is a careful and highly creditable piece of work. It answers at least in a preliminary way a number of questions of considerable importance to those interested in the post-war economic development of Eastern Europe. Mr. Evans describes the new agrarian laws; the enactments dealing with the expropriation of the larger landowners, the machinery by which this was carried out, the basis of the compensation to be paid, as well as the measures taken to safeguard the position of the new peasant proprietors. He then proceeds to deal with the economic consequences of the changes with regard to their influence upon agricultural production and upon agricultural export. This treatment is accompanied by a considerable historical sketch of agrarian change in the chief provinces and due attention is given to geographical influences.

The emergence of the peasant triumphant is the first characteristic feature of the change; the estates of large landowners who had formerly predominated in the economic organization of East European Society were expropriated on terms which virtually amounted to confiscation. This drastic change was ultra-conservative in its effect because by reinforcing the respect for property, it guaranteed the social order through the peasant. The whole episode brings into relief the contrast between the peasant and the communistic outlook, and has considerable bearing upon the Russian position.

The other important issue involved is the influence of the peasant ownership upon agricultural production and export. "It must be admitted," says Mr. Evans, "that it is as yet too early to formulate any very definite conclusions as to the influence of this particular factor." The agrarian change coincided with an almost complete collapse of political and economic organization, and therefore other influences must be allowed for, but it appears that post-war agricultural production is distinctly lower in all except one or two crops than the average of 1909-13. There is also evidence of a rise in the standard of living of the agricultural classes, and the figures of exports for a once important centre of foreign supply of wheat and maize are insignificant. Such evidence as is available seems to point to the conclusion that although production may recover its pre-war level, it will not be quite the same kind of production as was customary under large estate management, and there seems little prospect of agricultural export recovering its former importance.

This book may be recommended with confidence to those who desire to understand the economic position of Eastern Europe under the new conditions.

R. B. FORRESTER.

Volkswirtschaftslehre. By EUGEN SCHWIEDLAND. Three vols. Stuttgart: W. Kohlhammer. 1922-3.

The present work by Professor Schwiedland, of Vienna, is, and will remain for long, one of the best textbooks of economics. The writer's reputation as a brilliant teacher is made, and the moderate, balanced soundness of his outlook well known. No wonder that his *Volkswirtschaftslehre*, while crude and full of information, affords easy and pleasant reading. The new textbook is also of special value in that it embodies the experiences and the moral of the post-war financial vicissitudes of Central Europe, observed at close quarters by one who is a man of affairs as well as a scholar.

The most distinctive feature of the work is the wide historical and sociological context in which economics is studied. Professor Schwiedland has made in his book perhaps the most thorough and far-going attempt at laying down the principles of economics on the basis of a general study of communal life. The whole first volume is devoted to what might be called the Sociology of Economics. In the first chapter a short sketch of the economic history of modern European nations shows the importance of wealth in politics and serves as the basis for formulating some of the problems seen from their practical side. A historical part follows with a description of the early stages of economic life among savage and barbarous peoples and of the development of the industrial system. In the ethnological part of these chapters the author is able to give quite a new account of savage economics, due partly to several excellent new contributions of German field-workers, especially of Dr.

Thurnwald, of Melanesia, contributions which force us to revise some of the otherwise valuable theories of Bücher, Hahn, Schmoller, and other students of early economics.

In the following chapters of the first volume, Professor Schwiedland gives a brilliant and thorough analysis of the various influences exercised by society on man's industrial efforts in custom and law, in the factors of population, technical development and political organization. He also develops here a sociological theory of wealth, value and price. The treatment of these subjects differs greatly from the usual one: the author does not set forth the principles of pure economics in the abstract manner of the Classical school; nor does he follow the heavy way of the German Historical school, in which the reader is often overwhelmed and crushed by the mass of accumulated fact, till economics and its history appear meaningless and chaotic. Professor Schwiedland always starts from the facts, but his skilful marshalling of the evidence brings out the essentials in an easy yet precise manner, so that when the principles are enunciated, the beginner is neither taken by surprise, nor is he obliged to strain his imagination in order to find in the abstract laws the tangible meaning. While Professor Schwiedland does not overload his account with innumerable quotations of other opinions, he always gives in the right place a summary of the most important views and controversies.

To mention the defects of his qualities, one might almost cavil at too much impartiality. The author is not a pronounced partisan of any school or clique, nor is he a follower of any economic or political creed. But though we are always given a balanced, moderate and unprejudiced view, the book is by no means bloodless or devoid of the personal note. Professor Schwiedland frequently interrupts a purely academic discussion for a while and plunges into a pointed moral harangue or gives vent to his passionate common sense or to his despair at the economic follies of the present day. To him the foundations of the economic process lie not in *things* but in *man*. The theme of economics is not riches, but virtues and vices, human wisdom and folly: "So sind nicht Güter, Reichtum und Verkehrseinrichtungen, sondern menschliche Eigenschaften und Beziehungen das Hauptthema der Volkswirtschaftslehre." It is unfortunately difficult to decide whether this last sentence of Professor Schwiedland can be taken as stating the sober reality or only expressing a pious wish. For just to-day in the world of machines which produce our necessities and our luxuries, our opinions and almost our morals, it seems as if man were dominated by wealth, means of transport, implements and engines rather than that he were their master. The tragedy of the modern world lies in the fact that the enormous machines of political control of economic production, and all the mechanical means of spatial and mental communication, seem to have outgrown man's ability of intelligent and moral direction and to drag him into such annihilating catastrophes

as the Great War. But if this be so, Professor Schwiedland's book is only all the more welcome in that its whole moral is a protest against this tyranny of things and techniques.

The second volume contains an excellent description of the various domains of economic activity ; begins with those characteristic of the early stages of development and brings the subject up to the modern industrial system. The third volume finally covers what is the usual subject-matter of the average textbook : the organization of industrial enterprise and the discussion of money, banking, and finance. These last chapters are especially interesting, for they embody all the sad and instructive reflections which an Austrian economist was enabled to make during and after the war, watching the financial policy of the Central Powers during the struggle and after the collapse.

Professor Schwiedland's handbook, which might be recommended as the very best introduction for a beginner, will be also found very useful, nay, indispensable, to the student for its many and varied qualities, and it is to be hoped that an English translation may appear at not too distant a date.

B. MALINOWSKI.

Labour in the Coal-mining Industry. By G. D. H. COLE. Carnegie Endowment for International Peace.

Mr. Cole's *Labour in the Coal-mining Industry* is an account of the succession of crises through which the workers in the coalfields passed between the beginning of the war and the conclusion of the great lock-out of 1921, written with the knowledge of trade unionism in which Mr. Cole has no rival, except Mr. and Mrs. Sidney Webb, and with a passionless objectivity calculated to arouse the envious admiration of one who can guess the impression made by the concluding tragedy on one who stood as near to it as the author. It admirably supplements the picture of the establishment and working of "Control" drawn in another volume of the same series by Sir Richard Redmayne. Together they form a study of seven eventful years in the life of the most fundamental of British industries by men who had exceptional opportunities of seeing it from different, but equally important, angles.

In 1914 the Miners' Federation, with just under 700,000 members, was probably the most powerful labour organization in the world, and its position was, in appearance at least, stronger after the war than before it. Its membership increased, and stood in 1921 at 955,000. It had broadened its basis by affiliating, or by establishing working arrangements, with various craft associations confined to particular bodies of mine workers. Its leaders had sat on committees concerned with the organization and policy of the industry, while the formation of pit committees, to maintain and improve output, had helped to familiarize the rank and file, at least in certain areas,

with the idea that they might in future play a more responsible part in the conduct of the industry. Most important, the establishment of "Control," with the resultant measure of financial unification (the real parent of the afterwards much-debated "pool") had resulted in wage advances being made after 1917 on a uniform national basis. Moreover, the miners could claim with justice that they had deserved well of the public. They had enlisted, in the early days of the war, on an enormous scale; indeed, the Government had been obliged to fetch some of them back to civil life. The output of coal had been maintained, with an enfeebled labour force, at what was in the circumstances a very creditable figure. From the beginning of 1917 to the end of 1918—that is, during the whole period of full State control—there were no really serious disputes. After the war the Federation took up again, with certain alterations, the main lines of the programme prepared before. In the general optimism of the year 1919 it was sanguine enough to believe it would be carried out, and its belief was enormously strengthened by the report of Mr. Justice Sankey, that, on public grounds, it ought to be carried out. Then came the crash. Between 1919 and 1922 there were two national stoppages, one occasion on which a national strike was averted only by the appointment of a Commission, and one serious district strike. By the end of 1921 thousands of mine workers' families were virtually ruined; and in most districts there was no substantial improvement in 1922 and 1923.

Mr. Cole's analysis of the successive stages in this sensational reversal of fortune is extremely valuable. The elements in it were two: the first was the collapse of trade in the latter part of 1920; the second was the handling of the industry by the Government. During 1919 and the greater part of 1920 public opinion ignored the relation of the industry to the world market. After the end of 1920 it ignored everything. Both attitudes were foolish. The former resulted in a policy of deliberately squeezing the foreign consumer, which provoked a nemesis; the latter in the rushing through of decontrol without adequate time for adjustment being given, and in the failure to explore further the possible economies in the production and distribution of coal emphasized by Sir Richard Redmayne and other experts. In view of the state of trade in the latter part of 1920 a reduction of wages was inevitable, and it was also necessary to determine what method of settling wages should be adopted on the termination of control. But Mr. Cole's narrative makes it clear that what made the situation hopeless was the procedure of the Government. The facts speak for themselves. Under the Act of 1920 control was to continue till August, 1921. The first intimation that the Government intended to end it sooner was given to the miners on January 5th, 1921; but the actual procedure was not definitely settled, and on January 13th the Government gave them to understand that the "profits pool," i.e., the financial basis of the existing wage arrangement, would continue till the end of June.

It was actually not till February 22nd that the miners and owners were informed that complete decontrol would take place on March 31st! The Government, that is to say, gave the industry just over one month in which to carry through a complete change in the whole system of regulating wages. In these circumstances it would have been surprising if a breakdown had not occurred.

The controversy surrounding the coal industry since 1919 has been acute, and there is no sign of its being ended. Nothing will contribute more to sanity in the future than a dispassionate study of the steps by which the present situation has arisen. Mr. Cole is to be congratulated on his success in supplying it.

R. H. TAWNEY.

The Trust Problem in the United States. By Professor ELIOT JONES. (Stanford University). New York: Macmillan.

It is certainly convenient to have on record a detailed and properly arranged study of the enormous amount of information on American Trusts contained in the mass of State documents, which have accumulated in the last thirty years. For the care, fairness, and great industry with which Professor Jones has performed this his primary task, no ordinary commendation suffices. From this aspect his book will be extremely useful to the specialist, though the ordinary student will find more detail than the demands on his time are likely to allow him to digest.

Professor Jones, however, has also definite contributions to make towards the problems involved in the modern Trust Movement, and it is perhaps a pity that he has not separated the results of his study of the facts from the recital of those facts. The latter contains nothing to disturb or vitiate the general conception of the main lines of development which should be part of the stock in trade of every English economist; and if he had been content merely to give facts necessary to supplement his arguments and conclusions, the volume would have made smaller demands on the weight-lifting capacity of the reader's hands, as well as on his time and perseverance!

On many aspects Professor Jones has formed conclusions which differ considerably from the views held by many economists, both in his own country and over here. In the first place, he does not see in the growth of the Trust Movement any natural and inevitable evolution of the concentrative tendencies apparent in modern methods of production and distribution; nor does he think that cut-throat competition is a primary cause, or the desire to reduce costs. The development from large Combinations to Monopolistic Trusts is due, in his opinion, mainly to the desire to achieve greater profits, emphasized by the enormous rewards to be obtained by Trust Promoters. He bases this view, partly on the historical antecedents of a large number of Trusts examined, partly on a study of prices, and partly on his exposure of the profitable nature of Trust promo-

tion. It cannot be said that the study of prices and costs of production has yielded more substantial results in his hands than previous attempts on similar lines, but on balance he sums up in a less comforting way than, for example, does Professor Jenks. The analysis of Trust promotion finance in Chapter XII is the most thorough yet performed, and a scientific attitude is successfully preserved throughout. But the author's conclusions as to the origin of Trusts are clinched by his contention that the Trust is a form of industrial organization little, if any, more efficient than the large combination. In Chapter XIX he supports this view, both by a theoretical examination of the probabilities of more economical operation, and by an impressive summary of the failure of most Trusts to realize their anticipated success, unless protected by special conditions such as legal monopoly. This is, of course, a matter of the first importance, for many economists in this country at any rate have concluded that since many Trusts have made great profits, and since there is no decisive evidence to show that the consumer has been unduly mulcted by monopoly prices, the real Trust problem consists in compelling the Trusts to pass on to the consumer the economies resulting from a more efficient form of industrial organization. Hence the attempt to dissolve or prevent Trusts has been frowned on, though approval has been given to methods of safeguarding the consumer against price exploitation based on unfair devices in restraint of actual or potential competition. But Professor Jones maintains that the advantages of a monopolistic Trust over competitive large scale combinations are inappreciable, even in the export trade, and that the profits secured must therefore represent a direct toll paid by the consumer. He concludes that the lure of monopoly profits will continue to operate, and that the Trust movement is a permanent disease of the existing economic order. Dissolution is a remedy which cannot be achieved in practice, and prohibition would be worse than the disease. Hence he falls back on price regulation, though fully exposing its inherent difficulties, and hints broadly that perhaps in time socialization will prove the community's only effective resource.

Finally one could wish that Professor Jones had supplied us with more up-to-date information as to the results of the war and post-war period on the industrial structure in the U.S.A., and with an account of the operations of Trusts and Combines during the last few years. In part the absence of this much needed information is due to the fact that he deliberately closes his accounts after the dissolution or triumph of a Trust in its contest with the Federal Government, and also to the fact that although Professor Jones wrote his last words in 1920, the public has only recently been privileged to read them. Can it be that American publishers are slower even than our own?

J. W. F. ROWE.

The British Trade Boards System. By DOROTHY SELLS, Ph.D. P. S. King and Son. 1923. pp. 293+viii.

The Fixing of Wages in Government Employment. By E. COLSTON SHEPHERD. Methuen and Co., Ltd. 1923. pp. 207+xx.

There has been up to the present time no complete account of the working of the British Trade Boards system. There are, indeed, the studies of Miss Bulkley and Mr. Tawney, who investigated the effect of the Acts in particular trades, and the general account of the machinery provided by Mr. Addington Willis. But the former are now rather out of date, while the latter does not deal with the problems involved and the charges at present laid against State regulation of wages in Great Britain. It is this want that Miss Sells supplies.

There are three chapters in this book which are particularly useful. In the first two of these the author analyses the wages which have been fixed by the Boards, and shows that the average general minimum time rate for unskilled workers falls between the "poverty line" and the "human needs" standard of Mr. Rowntree, a none too adequate level, and that in general the rates fixed have been lower than those for similar grades of workers in allied non-Trade Board trades.

Another very useful chapter is that on unemployment, in which Miss Sells meets the charge that Trade Boards have caused much unemployment by taking two or three particular trades, two of them being the trades where the charge is most insistent, and analysing the reason for unemployment in those trades. In the dressmaking trade, for instance, she gives strong reasons for believing that in the circumstances, the changing character of the trade and the fact that it is particularly likely to be hit in times of trade depression, would have led to a large amount of unemployment even had there been no Trade Board.

She concludes with the Cave Committee that the Trade Boards have undoubtedly been of advantage in increasing the wages of the worst paid workers, in tending to eliminate the "bad" employers, and to improve the technical efficiency of certain trades; but she lays more stress upon the shortcomings in the administration of the Acts than did the Cave Committee. It has unfortunately often been the case that the failure efficiently to administer an Act has led to a questioning of the principle of the Act. The lack of inspection during the first four years after 1918 when the Acts were extended to such a large number of trades, the separating of the inspectorate from the Boards, the failure of the Ministry of Labour to acquaint the Boards with the results of their determinations, and the resulting tension between the two bodies, undoubtedly led to a state of administrative chaos, which did much to destroy the popularity of Trade Board legislation.

One feels that Miss Sells might have been more explicit in this matter, and have given more detailed and exact information as to

the enforcement position, and as to the refusal of the Ministry to confirm rates fixed by the Boards, or to give them that freedom of action which they desired. This is indeed the chief criticism to be made of her book. She does not make use of much of the information which one feels she undoubtedly possesses. There are not enough references, and not enough exact statements of fact. She is too general. It is not helpful to students to be told that "In the metal trades *it is said* that employers can easily escape payment of the rates by denying the fact that they make any of the products named on the definition" (p. 42), or that "In fact, the entire workers' organization *in one trade is reported* to have broken down largely on account of the failure of the Ministry to enforce the Trade Board rates in the trade" (p. 186) (*my italics*).

Perhaps Miss Sells, who had access to much of the private information of the Ministry, felt some diffidence in giving information which might have been regarded as a breach of confidence. Nevertheless, there is much detailed evidence in the Minutes of the Cave Committee which might have been used to support facts which, if not generally known, were at least commonly suspected. So, too, if it were not possible to give names or details of the information obtained from the many personal visits and inquiries made by the author, it would have been helpful to have given some statistical analysis of the replies received and the opinions expressed, in order to give an idea of the general balance of opinion. Some such analysis as this might well have been substituted in the Appendix, for the reproduction of the numerous forms used inside the Ministry, in connection with the enforcement of the Acts, and which are of little interest to anyone. There would then have been room for the inclusion of a really full and helpful Bibliography.

It is likely that Miss Sells' book will be the standard work on Trade Boards for some years. It is to be hoped that in a second edition she will see her way to supplying a few more exact facts, and to correcting a number of the very bad misprints of which those on pages 86, 106, 185, and 235 are typical.

Miss Sells has dealt with the attempt of the State to fix wages in private employment. Mr. Shepherd shows what the State has done in fixing the wages of its own employees. To say that his book is a depressing one to read is to make no reflection upon his own style, which is indeed delightful. It is the story of a disappearance of ideals. At one time the theory was held that as there was no "profit and loss" test of the appropriateness of wages paid to Government employees, the Government should adopt the attitude of the model employer. Mr. Shepherd shows how the extension of Government activities which has occurred during the last forty years has been accompanied by a reversion to the wage standards prevailing in the outside world. If it were the case that workers were able to weigh up the balance of advantages in different trades this might not matter. In fact, as Mr. Shepherd points out, an enormously

undue importance is attached to permanence of employment, or even to the chance of such permanence, while the supposed prestige conferred by the fact of Government employment has made workers anxious to take employment with the Government under conditions which they would never have considered in any other work. The Government has not been slow to take advantage of this position, and of late years has tended to justify the wages paid on the grounds that there is no falling off in the recruitment of the service. This is particularly the case in Post Office employment, and Mr. Shepherd's facts and figures give rise to considerable uneasiness. He also points out that there is not nearly so much permanency of employment as is generally suspected. In 1913, for instance, there were no fewer than 122,000 unestablished workers in the Post Office out of a total of 240,000, while it is very generally the case that the unestablished worker is paid at a lower rate than his established co-worker. So, too, in the case of the War Office and Admiralty, the departments have sheltered themselves behind the supposed advantages of permanence and the pension, when deputations have pointed out the relatively low rates of wages paid.

Mr. Shepherd's detailed and interesting account of the Government's attempt to fix wages is one which repays careful reading, and it is to be hoped that at a later date he will produce another book dealing with the wages and conditions of employment of the higher branches of the Civil Service, which will be as full of information as the present one.

E. M. BURNS.

The Disinherited Family : a Plea for the Endowment of the Family.

By ELEANOR F. RATHBONE. Edward Arnold and Co. 1924.
pp. 324+xiii. 7s. 6d.

It is impossible to read Miss Rathbone's vigorous book without coming to one or two very pronounced conclusions. The first of these is that it is a one-sided policy for any nation to lay up treasures for the future in the shape of capital equipment, and the accumulation of knowledge, and to make no conscious provision at all for the quantity and quality of the population which is to share in that heritage. If the future is a matter of interest at all then the conditions which influence the children of to-day are a matter of very vital importance. We rely upon the family to produce and rear the citizens of to-morrow, but we act in every respect as if the having of children was a hobby of no interest to any save the parents. If there are too many for the parents' income to maintain, we reprove. The more practical advocate birth control. Meanwhile, the children are there and until all individuals are convinced that it is a crime to have more children than one's income will maintain at any reasonable standard, and until all know how to avoid undesired children, the supply will continue. That being the case, it seems reasonable to suggest that we should make the best of the position as we find it, and see that an adequate income is provided for each child.

But there is another fact which emerges from a perusal of Miss Rathbone's book, and which goes to back up the first. This is the fact that there is no normal family, and that any scheme for the provision of a living wage to all which does not recognize this will defeat its own ends by giving much more than is necessary to the unmarried and childless, and much too little to the parent of more than the "normal" number of children. In view of the estimates of Mr. Knibbs, Professor Bowley and others, it seems that unless the whole industrial structure is to be changed the simplest way to attain a wage which shall really be as much a living wage to the parent of the large family as to the unmarried worker is to devise some scheme for making a payment to parents in proportion to the number of their children. How is this to be done? Miss Rathbone says by Family Endowment.

She gives an interesting and valuable account of the working of this system in France, Belgium, Germany and other European countries, and suggests that some provision on these lines might be made in this country. It must, of course, be realized that the matter assumes an entirely different aspect when the compulsory element is to be introduced, and even in France, where the system is most general, employers, with the notable exception of those in Roubaix-Tourcoing, and Paris, have taken up the attitude that the system should be on an entirely voluntary basis.

Miss Rathbone admits that even when the general principle of family endowment is granted, there remains the very real problem of the manner in which the payment is to be administered. All are agreed that the payment should be made to the mother. But is the payment to be a national one, the right of all mothers, or is it to be on an industrial basis? The latter has the advantage that it will be possible more accurately to adjust the cost of living to different classes of workers, and so make the payment a very real benefit to the higher grades. It would also be a relatively easy matter to administer such a scheme in the well-organized trades. But this fact at once suggests that in those trades where there is little or no organization the industrial basis would be of little help. The number of well-organized trades is relatively small. How would such a scheme apply to the enormous body of small retail shops, the owners of which are frequently little better off than the average skilled or semi-skilled worker? The main advantage of the industrial basis lies in the fact that it would be more possible to introduce the system by degrees and to make useful experiments.

On the other hand, the national scheme would be relatively easy to administer, and would be, as Miss Rathbone says, more truly expressive of "the value of maternity and childhood independently of all other forms of productive service." Other problems still remain. How are the funds to be collected? In an industrial scheme it would be possible to levy from employers on the basis of the number of workers they employ, or the total wages bill,

or according to the number of days' work done, leaving it to employers to see that the burden is readjusted in the wage payment as between single and married workers. This adjustment is much more difficult in the case of a national scheme, where the only practicable way of raising the fund seems to be by the usual means of taxation. Miss Rathbone is very unsatisfactory here, and assumes too easily that the effect will be a reduction of wages in all trades in compensation. Surely the effect will merely be that of the imposition of an extra 6d. or 1s. in the £ in income tax. It will affect different trades differently, and there can be no justification for assuming that the reaction will be so automatic as Miss Rathbone thinks. She treats the whole question of the reaction of Family Endowment upon wages far too cavalierly, and disposes too easily of the possible objections of the single workers. It is not safe to generalize from the example of France, for a rising price level there has made it possible to disguise the fact that the increase in the wages of married men was at the expense of the single worker. There was no fall in the single workers' wages, but an increase in the wages of male workers, which coming in a time of rising prices did in effect give the married worker an advantage.

There is little to be said as regards the "population" charge. Until we have more accurate information as to the effect of changes in income upon the number of children potential parents decide to have, it is impossible to forecast whether this scheme will result in increasing the population by encouraging the existing "prudent" individual, or in decreasing it by giving wider interests, and a more hopeful future to the individual who at present through ignorance and hopelessness makes no effort at family limitation.

Miss Rathbone argues well and conclusively, and there will be few who having read her book can doubt that some such scheme as she suggests must come before long. But nothing is to be gained by under-estimating the practical difficulties, and before the Endowment of the Family can advance much further some hard thinking as to ways and means will have to be done.

E. M. BURNS.

Argonauts of the Western Pacific. By Dr. BRONISLAW MALINOWSKI.
London: George Routledge and Sons Ltd. 1922. pp. xxxii.+
527. 21s. net.

In this book Dr. Malinowski has made a contribution of the first rank to anthropological and sociological literature. The work is valuable, in the first place, as a detailed and accurate record. The student of comparative institutions, concerned with the classification of the types of human behaviour and organization, is dependent for his material upon travellers and ethnographers, and his work is infinitely facilitated and his results are made less precarious, if he has at his disposal data which have been obtained with scientific accuracy and caution. The main subject here discussed is that of the

economic organization of the Trobriand Islanders. Dr. Malinowski may be regarded as among the pioneers in the scientific study of primitive economics. While the social organization, manners and customs of primitive peoples have been for long studied more or less in detail, their economic organization has generally been dismissed as "simple," or has been dealt with in a purely speculative manner to illustrate what was supposed to be primitive in human nature. Dr. Malinowski shows that primitive economics are not simple, but rest upon and imply complicated forms of social relationship, regulated by custom, sustained and controlled by elaborate ritual and magical ceremonies. He gives a detailed account of their organization of labour and, in particular, he has made a most valuable classification of types of gifts, payments and commercial transactions, showing the relation between economic obligations and duties and the varying forms of social relationship existing between the members of the community. Moreover, he shows conclusively that the notion of primitive trade often met with in economic literature, as consisting in a more or less surreptitious exchange of useful articles, taking place spasmodically under the stress of circumstances, and effected by direct or indirect barter, more or less timidly and distrustfully, is not in harmony with the facts. The main portion of his book is devoted to a very detailed account of a remarkable type of exchange, called *Kula*. The *Kula* is inter-tribal. It is carried on by communities inhabiting a wide region of islands and differing in language, culture, and even in race. It rests on a sort of partnership which binds into couples some thousands of individuals. The valuables exchanged travel along a closed circuit in opposite directions. Each article, as it travels in its own direction, meets on its way articles of another class and is constantly exchanged for them. Round this form of exchange, myth, magic and tradition have built up definite ritual and ceremonial forms, and have made it into an institution of the most fundamental importance in the life of the peoples concerned. In the course of his account Dr. Malinowski presents a fresh and illuminating analysis of the psychological factors of gifts and exchange, which should be very useful to the economist and psychologist alike, and a criticism of such terms as *individual ownership*, *communism* and the like, which if taken seriously will necessitate a revision of many accepted views regarding the stages or phases of the evolution of property. In discussing the *Kula*, Dr. Malinowski also gives an important account of the psychology of magic, and of the relation between myth, magic and custom, which has a wider application than his immediate topics.

Important as a record, the work is perhaps equally valuable as an example of method. Dr. Malinowski lived among the Trobrianders as a Trobriander, learned their language and endeavoured to penetrate sympathetically into the mentality of the people he studied. Not every ethnographer can be expected to be endowed with the same instinctive insight, great social gifts, facility for languages and

wide cultural attainments as Dr. Malinowski, but his book will be useful to all as an illustration of what methodical ethnological investigations should be. In this book Dr. Malinowski has only utilized a comparatively small portion of the material he has collected, and from the manner in which this has been handled we may look forward to a work which, as Sir J. G. Frazer says in his Preface, "promises to be one of the completest and most scientific accounts ever given of a savage people."

MORRIS GINSBERG.

The Dravidian Element in Indian Culture. By GILBERT SLATER, M.A., D.Sc. London: Messrs. Benn. 1924. pp. 192.

An enthusiastic and rather breathlessly written book, stressing a number of ideas in which the author is interested, but not clearly stating what observations were made at first hand nor adequately documented as to sources. The Dravidians are regarded as akin to the Mediterraneans, their ancestors having passed through Mesopotamia before agriculture was known to the Babylonians, though they received much of their culture later from the Egyptians, or at least their culture was in great part due to the impact of this influence. It is suggested that "the Brahmin caste . . . is a Dravidian institution," but although the invading Aryans were undoubtedly subject to much Dravidian influence, and though the commonly received view that caste arose as the result of the clash of Aryans and aborigines—for from the Aryan point of view the Dravidians were such—is no more than a working hypothesis, though a very probable one, this seems an extreme statement.

There are interesting, if diffuse, chapters on Indian Religious Ideas and the Basis of Dravidian Culture, but reliance on Dr. Slater's critical faculty is not strengthened by his meagre account of that admittedly difficult subject, the antiquity of Dravidian Civilization, two out of the seven plates with which the book is illustrated being devoted to the reproduction of anthropologically useless photographs of a skull from the Tinnevely District. This was derived (as were two others) from doubled up burials in earthenware jars, in which were also found "bronze" figures of animals, yet he gives no adequate account of this interesting discovery, and even omits to mention whether it was a chance find in the open or whether the vessels came from cyst burials such as he illustrates and which are so numerous over a considerable part of the Deccan.

C. G. SELIGMAN.

The American Revolution. By C. H. McILWAIN. London: Macmillan and Co. pp. 192.

Professor McIlwain has long been known to English historians as the ablest of those who have, in America, carried on the distinguished work of the late Charles Gross. His *High Court of Parliament* was a brilliant essay on the thesis first explored by Maitland in his intro-

duction to the *Memoranda de Parlamento*. His edition of the political writings of James I contained an essay on the ideas of the period which ranks with the best work of Figgis and Dr. Gooch. Now he has given us an essay on the American Revolution, which is not only buttressed, as we should expect, by solid learning, but is also of the first importance for the novelty of the view it maintains.

The last epoch in American historiography has been marked by the abandonment of the providential theory of the Revolution. The view it is customary to hold is that Burke's general standpoint was the correct one. George III and Grenville were constitutionally right and politically unwise ; but taking as they did the view that the Declaratory Act flowed naturally from the theory of Parliamentary Sovereignty, they were legally entitled to their position. Professor McIlwain directly challenges this attitude. Broadly speaking, he argues that the legal relation which existed between the colonies and the mother-country did not permit the control demanded. Parliamentary sovereignty is a product of 1688 ; and the evidence that the colonies acquiesced in the change then made is adequate. He takes the standpoint so ably urged by John Adams in the letters of *Novanglus*, and insists that England and her colonies were not one people. Just as England could not legislate for Ireland in the pre-Union period, so she could not legislate for America. He thinks that the starting-point of the Revolution is to be found in the Act of May 19th, 1649, by which Parliament created the Commonwealth one and indivisible and included the Dominions therein. " Here, for the first time," he writes, " is found that disastrous political subordination to the Englishmen of this nation " and to the " Supreme Authority of *their* Parliament, of all other Englishmen outside the realm in the other dominions formerly belonging to the King."

Professor McIlwain examines a wealth of precedent to establish his view. From a discussion of Darcy's *Declaration* and Molyneux's *Case of Ireland* he shows that the legality of the British claim to supremacy over Ireland was challenged at its inception. It follows from this that the Renunciatory Act of 1783 was simply an acceptance of the true legal position ; and that vindication of Irish constitutional independence seems to him the model of the American case. The Dominions, in short, are independent members of a Britannic alliance united by the bond of the Crown. The Parliament of one Dominion, whether England or another, is void of title to legislate for the whole. This view, in its turn, goes back to Professor McIlwain's well-known view that substantive law in England is not, in its origins, repealable. There are fundamental laws beyond the control of Parliament until common law becomes the creature of statute law ; and this did not relate to the power to bind the colonies. So, even to-day, it is doubtful whether Parliament can legislate for the Channel Islands ; the Judicial Committee has been nice in its evasion of the issue.

I have not the space to discuss this view in the detail it deserves. Briefly, it implies that the theory of Dominion Home Rule is a recovery, rather than a discovery, in constitutional doctrine. It is notable that Professor McIlwain's thesis should be supported by the able analysis of Dr. R. G. Adams, whose *Political Ideas of the American Revolution* suggests that the colonists were, in fact, the sponsors of the views embodied in the Irish Treaty Act of 1922. There are, I think, some very real difficulties in the way, notably on the side of the original nature of Parliamentary authority. But it is, in its broad outlines, convincing; and, in particular, it shows how novel is the doctrine of Parliamentary sovereignty and how dangerous when men seek to enforce it. It is greatly to be hoped that Professor McIlwain's book will be widely discussed. It marks an epoch in its subject.

H. J. LASKI.

The Cambridge History of British Foreign Policy. Ed. by Sir A. W. WARD and G. P. GOOCH. Cambridge: The University Press. Vol. II, 1815-66. pp. 683.

The advantages of joint stock history are obvious. It enables the most recent research on any given subject to be summarized by an expert, and it is perhaps the only way of getting a comprehensive and authoritative survey of a wide period of history. On the other hand, its demerits are almost equally, if not more, patent. The lack of a common mind behind the different chapters makes it impossible for them to be read on end as a consecutive narrative. The individual, cooped into a volume with a dozen other colleagues and rigidly limited as to space, is almost forced into a pedestrian and colourless style. In short, the result has more kinship with the *Encyclopædia Britannica* than with Gibbon's *Decline and Fall*. It is a work of research to be consulted, rather than a history to be read. This is perhaps inevitable, though one cannot stifle an occasional regret that Clio, erstwhile a creator of "philosophers teaching by examples," should so swiftly be converting herself into a maker of scientific instruments. It is only rare spirits who can escape from the regimental spirit of the joint stock history sufficiently to display an individual style; as Maitland did in the *Cambridge Modern History*, Peisker in the *Cambridge Mediæval History*, and Cecil in Volume III of the present compilation.

Taken as an encyclopædia, however, Volume II of the *Cambridge History of British Foreign Policy* will be indispensable to the student of British diplomacy during the first half of the nineteenth century. It is perhaps inevitable that two episodes should overshadow the rest in importance, the one (at the beginning of the period) the policy of Great Britain towards the continental alliance from 1816 to 1826, and the other (at the end) the Crimean War. The first is in the very competent hands of Professor Alison Phillips and Mr. Temperley, who (together with Professor Webster, who dealt with the preceding period in Volume I) are the first English authorities on the period.

Their two chapters are an interesting *exposé* of that rehabilitation of Castlereagh, which has been one of the most interesting accomplishments of recent historical research. For Castlereagh, whether one approves him or not, was undoubtedly a great statesman, and (as emerges clearly here) Canning only carried on and extended principles which had been laid down by his predecessor. Yet Canning has always enjoyed a popularity denied to Castlereagh, and his claim to greatness has rarely been doubted. The fact is that, like Lloyd George (with whom he has many points in common), he had the happy capacity for making himself, the populace and posterity drunk with platform eloquence. Lloyd George, had he lived in 1824, would certainly have said, "I called in the New World to redress the balance of the Old"; indeed, he probably said it to himself in 1917; and on both occasions the New World in reality came in for its own purposes and at its own time.

The chapters which deal with the Crimean War and its prolegomena are less satisfactory. Here another defect of joint stock history manifests itself. When contributors disagree they must perforce contradict each other cheek by jowl, which would be immaterial if each had space, footnotes and appendices of documents in which to uphold his position, the reader being left to form his own judgment. But in volumes of this sort the individual contributions are short and critical apparatus is excluded for reasons of space, and thus the reader is left with two contradictory accounts and no means of deciding between them. In this particular case Professor Hearnshaw and Mr. Reddaway are in complete variance as to the responsibility for the Crimean War. Sir Adolphus Ward and Mr. Gooch were evidently troubled by the discrepancy, but by dint of saying to themselves with much determination, "Every day and in every way Mr. Reddaway's view is getting more like Professor Hearnshaw's," they were able to explain in their preface to the volume that the section in which Mr. Reddaway states his view is a "recapitulation" of the ground covered by Professor Hearnshaw.

Mr. Reddaway's careful and balanced defence of England's participation in the war deserves serious attention, though it will not command universal agreement. To the present reviewer he appears to confuse the reasons for which we entered the war, with the results which subsequently emerged from it; a failure to distinguish between *post* and *propter hoc*, which is the special pitfall of historians, who commonly justify most of the acts of dead statesmen for reasons which those statesmen certainly did not anticipate. Moreover, even his contention that England and Europe gained in the long run from the war seems difficult to justify, and there is probably more truth in Lord Salisbury's *mot* than in his long argument. It is true that, with a high moral gesture, we refused the Tsar's offer to give us Egypt and Crete in return for a protectorate over the Danubian Principalities, Serbia and Bulgaria; "the acceptance of such proposals honour forbade," says Mr. Reddaway; but honour did not

forbid our being in possession of Egypt and Cyprus (which is much the same thing) before the end of the century, although we could not sully our hands with them to stop the Crimean War ; nor did honour prevent our whole policy after 1880, down to the secret Anglo-Russian Treaty of 1915, from being a deliberate undoing of everything which the war had been fought to secure. Again, the war was far from giving England high prestige on the Continent, as Mr. Reddaway argues. She had made such an exhibition of herself before Sebastopol and had so effectually sickened herself with continental entanglements, that she almost ceased to count, in the European politics of the 'sixties, as a Power which might be expected to do more than send Notes in a crisis ; a fact of which Bismarck took full advantage in the Schleswig-Holstein question of 1863-4. "I wasted several years of my life," said Bismarck, "by the supposition that England was a great nation," which is an odd tribute to "high prestige." Indeed, as far as Germany was concerned, Mr. Reddaway passes over one of the main results of the war. He justly observes that by disabling Russia it made possible both the Balkan League and the Italian Kingdom, but he fails to observe that it also made possible the foundation of the German Empire. For it was the Crimean War which estranged Russia from France and led to that Russo-Prussian entente, which was one of the cornerstones of Bismarck's policy. As long as the Black Sea clauses of the Treaty of Paris held good, Russia had an interest in the fall of the Second Empire, and when she repudiated them in 1870 it was as a *quid pro quo*.

However, a great deal of water has yet to flow under the bridges before an agreed conclusion is reached as to either the responsibility for or the significance of the Crimean War. Meanwhile, Mr. Reddaway's chapter merits careful attention ; but there should be read with it two other books which have appeared since it was published, Mr. Simpson's *Louis Napoleon and the Recovery of France* and Mr. Martin's *The Triumph of Lord Palmerston*.

EILEEN POWER.

The Early Life, Correspondence and Writings of Edmund Burke.
By A. P. I. SAMUELS. Cambridge: The University Press. 25s.

New facts about the youth of a great man are not necessarily important. But the biographers of Edmund Burke have been, on the whole, inadequate and even Morley's *Life* leaves room for studies of his influence and more detailed accounts of the origin of his opinions. The assumptions on which a political philosophy are built are usually made early in life, and though Burke's prejudices are clear, the reasons for them are sometimes obscure. Mr. Samuels has therefore performed a real service in investigating the facts about Burke's early political experience.

In the first place he gives us a selection of Burke's undergraduate correspondence. Of this too much has been published. It contains

sentimental effusions and uninteresting rhymes which are only remarkable because they are the productions of a boy of fifteen. The minute book of the Debating Club in Trinity College, Dublin, of which Burke was founder and first secretary, is more interesting, and reveals Burke carefully studying problems on which his opinion was later to be of importance to the whole of Europe and America.

So much of this investigation Mr. Samuels had achieved when the war intervened. He was killed at the Battle of Messines in 1916. His father, Mr. Justice Samuels, has not only published his son's work, but has also completed the record up to the time of Burke's arrival in London. He offers us for the first time the files of an undergraduate paper, *The Reformer*, undoubtedly a production of Burke's, and also the facts about the Lucas controversy. It is clear that Burke was the author of anonymous pamphlets written on Lucas's behalf, and that he was not, as his biographers have repeated, an assailant of the democratic cause at the outset of his career. The incident offers a remarkable example of the way in which bad historians may perpetuate a myth by reading and re-writing each other's books.

We may be grateful to have this historical mess cleared up. Further, to know that Burke was really only nineteen when he wrote *The Sublime and Beautiful* is to be pleasantly astonished. Perhaps, however, we may find most pleasing certain personal passages which occur but too seldom in a mass of often tedious rhetoric. Delightful certainly is the account of London, written by Burke on his arrival there in 1750. As an Irish visitor in a strange land, he comments on English reserve, English drama and English women. He finds that the last do in some measure atone for our other defects, though, to be sure, he does his best to be charitable. "The buildings (of London)," he writes, "are very fine; it may be called the sink of vice; but her hospitals and charitable institutions, whose turrets pierce the skies, like so many electrical conductors, avert the very wrath of Heaven. The inhabitants may be divided into two classes, the *undoers* and the *undone*, generally so, I say, for I am persuaded that there are many men of honesty and women of virtue in every street."

KINGSLEY MARTIN.

Local Authority Finance, Accounts and Auditing. By J. H. BURTON. Gee. 1923. pp. viii.+369. 15s.

This is a good book of reference on local finance, particularly on the accounting side. The chapter on borrowing powers and methods of repayment of loans is especially useful. There are some omissions in the discussion of rating, very little being said about the basis of valuation and assessment. The book is almost entirely descriptive of things as they are and contains few suggestions for change. Municipal officers are, however, recommended to aim at "the acquisition of literary skill . . . The study of accountancy, even by wide reading

of textbooks and technical papers, rather than teaching literary ability to the reader, stilts his style . . . A student cannot do better than read good literature, and a considerable variety should be chosen rather than an endeavour to copy one good, classical writer exclusively. By this versatility in reading matter original style may be acquired, combining the fine features of each writer without the monotony of any one of them" (p. 291). It is not, perhaps, quite so easy as it sounds, but Mr. Burton's intentions are excellent.

HUGH DALTON.

War Finances in the Netherlands up to 1918. By M. J. VAN DER FLIER, LL.D. Clarendon Press (on behalf of the Carnegie Endowment for International Peace). pp. 150. 5s.

We have been hearing a deal of the war and post-war finance of the late belligerents, and we turn with interest to an account of the war finance of a neutral country. The financial crises which occurred in Holland and England in August, 1914, have many features in common. On August 3rd, 1914, the liability of the Bank of the Netherlands to redeem notes was suspended, although the Government regarded this as only a precautionary measure to avoid the necessity for any severe limitation of financial transactions and, especially, to avoid a moratorium. An urgent need for currency of denominations below that of ten guilders, the minimum permitted to the Bank of the Netherlands in its issue of notes, was met by a new issue of paper currency by the State. The discount rate was raised from $3\frac{1}{2}$ per cent. to 6 per cent. (although the latter rate was maintained for less than three weeks). But something approaching a panic occurred in Holland—due presumably to the uncomfortable geographical position of the country and to the economic strength of the belligerents to whom she was in such uncomfortable proximity. A stampede to secure supplies of cash and food took place. Notes of the Bank of the Netherlands were distrusted, and the Bank resorted, first, to discouraging demands for specie by opening only one window for business and thus enforcing long waits. Later it ordered that no greater sum than one hundred guilders should be paid out in silver at one time, and, finally, after two days, this limit was reduced to 25 guilders. All but the largest joint stock banks bluntly refused to repay deposits, and limited payments to amounts necessary for subsistence, wages and "undeniable obligations." But as soon as it was realized that the Netherlands was not to be drawn into the war this acute crisis was easily forgotten, in the prospect of large profits to be made by trade with belligerent countries.

The total crisis expenditure in Holland from 1914 to 1919 is calculated by Dr. Van der Flier at 1,135·6 million guilders, which is equal to about 60 per cent. of the ordinary expenditure of the Government for the same period. About one-third of this extraordinary expenditure is accounted for by subsidies on foodstuffs, aimed at keeping down the cost of living. In 1914 it was hoped to

meet all extraordinary expenditure out of loans, but in 1916 this policy appeared less hopeful, and the pressure of the opposition to cover more of the war expenditure by taxation increased. In 1919 the opposition made an unsuccessful attempt to force on the Government the policy of an *ad hoc* levy on capital. There occurred an exchange of arguments on the subject on lines with which we have in this country been made familiar during the last year. Dr. Van der Flier in his summary seems to indicate that the levy would have been justifiable, only if it could have been met out of the incomes of those upon whom the levy was made and had been balanced by economies thus forced upon them. If, on the other hand, it had been "so great that people, to meet it, had to draw on the very source of their incomes" it must be condemned, for "many taxpayers would have to change their capital into currency, thereby losing it for good and all." Their loss in capital would be balanced by "the increase of capital of those who were repaid the sums originally lent to the State. This would mean a shifting of capital which would be disastrous to many persons." Dr. Van der Flier seems to find adequate condemnation of the levy in the fact that the payers would be forced to part with the sums for which they were assessed "without regard to the question of whether it was the source of their income, a reserve for critical circumstances, the means for contemplated extensions of their business, or what not. That many of them would be severely reduced in their economic power by this levy was as clear as daylight." If these are the grounds upon which the levy is to be condemned by an economist, there must be dark days in Holland. However, in fact, the crisis expenditure for the period of the war was covered up to 96 per cent. of the total out of the proceeds of loans, although a goad in the form of a threat of a forced loan was necessary to induce unwilling Dutchmen to subscribe the amounts required.

Drastic increases in taxation were necessary to meet increases in the ordinary State expenditure and to provide interest on the increased debt and funds for redemption. These increases were provided in 1914 by a general increase in the rates of existing taxes. In 1916 a levy on war profits, at a maximum rate of 30 per cent., was imposed. Still further increases were necessary at the conclusion of the war, by which time the yield of taxation had been increased over sixfold. At this time the Finance Minister calculated that State and communal taxes amounted on the average to about 35 per cent. of incomes, and that if indirect taxes were taken into account there were some persons who paid 72 per cent. of their incomes in taxation.

It is very regrettable that so little attention is given to the part played by the banking system, and particularly the Bank of the Netherlands, in war finance. In the course of the discussion of the crisis of 1914 we are informed that "the Government helped itself to currency in the usual way," and that in 1914 and afterwards

"the Bank was an inexhaustible producer of currency." Thus the question of war issues of currency has been dismissed. There is not even an appendix showing the issues of currency by the Government and the Bank. Although due warning is given in the title, it seems a pity to have discontinued the story of war finance at 1918; but for this, as for the somewhat severe compression of which the book bears obvious signs, we are perhaps not justified in blaming the author.

This book is a striking example of the high standard attained by the Oxford University Press in the art of book production.

A. R. BURNS.

Modern Foreign Exchange. By HUBERT C. WALTER, M.A., LL.B., F.I.S.A. pp. 187+xi. Methuen and Co., Ltd. 5s.

"The author hopes to find justification for the book, not in original theories, but in setting out in a form which can be understood by any person of average education, the agreed conclusions of economists regarding the post-war exchanges." In order, therefore, to judge the book in relation to the aims declared by the author, attention must first be directed to the form of the book, and here we find the style both readable and clear—qualities deserving of praise, more particularly on a subject which often proves intractable in the hands of its exponents.

Turning to the question whether the work sets out the agreed conclusions of economists, while the matter is, on the whole, well reasoned and adequate one closes the book with little doubt that the author has not quite attained his ideal. When, in the discussion of the pre-war exchanges, it is stated in a note that Dr. Gregory appears to have been the first economist to point out that gold fulfilled the functions of an international currency and thus secured greater steadiness of exchange than has existed since the war, one is inclined to wonder how far the author's study of the writings of the economists has extended. The forward market in foreign exchange receives brief treatment, and the basis of forward quotations is discussed without any reference to the influence of rates of interest. "Nostro Accounts" are also mentioned, and, while a full treatment of the methods of operating such accounts was not to be expected, the brief reference that is made to them is likely to give rise to questionings and fears of deeper mysteries still to be solved. The purchasing power parity theory is also dismissed too easily. It is said that the prices which must be used in the calculation of purchasing power must be only those of commodities the subject of international trade; upon such a basis the theory is something between a half-truth and a truism. As the disparity between the internal and external purchasing powers of a currency increases, an increased variety of commodities becomes the subject of international trade. The disparity may attract tourists (as recently in the case of Austria) who demand "goods and services produced at

home for domestic consumption," which the author (in common with many other writers) expressly excludes. In fact the causes and effects of disparity receive much less attention than they deserve.

The discussion of inflation is not quite happy. During the war one of the ways in which inflation was effected was, we are told, "through the borrowing by the government of purchasing power which did not exist." The only effect of such statements upon the reader is to cause speculation as to whether it would be better or not for the world if such conjuring by the Government on a large scale were possible.

The difficulty lies in the fact that to reproduce the conclusions of economists from various articles and books requires the exercise of both critical and selective faculties, and in both of these the author has been a little wanting.

A. R. BURNS.

Labour Turnover in Industry. By P. F. BRISSENDEN and E. FRANKEL. New York: Macmillan. 16s.

This volume presents the results of an inquiry for the U.S. Bureau of Labour Statistics, previously published in a less comprehensive form in the Monthly *Labour Review*. The statistics cover the period 1910-19, and the results are therefore partly of historical interest only, for the last four years must be considered quite abnormal. Nevertheless the records of the war period are interesting in themselves, and go far to make up for the limitation to a portion only of a normal trade cycle. The evidence produced shows clearly the tremendous problem which the extensive and rapid changes of a very large proportion of their workers presents to American manufacturers. On the average of the ten years, to maintain a labour force of 211,768 workers, 504,532 labour changes took place—in other words, labour changes were involved more than equivalent to a complete annual overturn of that labour force. When subsequent analysis reveals that the largest part of these changes takes place among unskilled workers, and that in most cases the proportion of "stable" employees is more than 50 per cent., the true nature of the problem stands more clearly revealed. The book teems with interesting points, and the analysis and presentation of the statistics are carried out with great skill and lucidity. How far the authors are right in thinking that their survey under- rather than over-states the extent of the problem, is perhaps open to the contention that those firms, who have the requisite records and have therefore been selected for analysis, may have taken that trouble precisely because they are the greatest sufferers from excessive labour turnover. In any case, however, one is inclined to think that in England we do not suffer to the same extent; but little attention has been given to the subject, and reasonable proof of such an assumption is still lacking. The authors of this American Survey are to be congratulated on their enterprise and industry, but this

is only the diagnosis: it is to be hoped that they will now study cause and cure.

J. W. F. ROWE.

Psychology and Morals. By J. A. HADFIELD. London: Methuen and Co. Ltd. 1923. pp. vi.+186. 6s. net.

The title of this little volume is rather wide, for it does not deal with the whole field of the topics which lie on the border line between psychology and morals, but rather with the problems of moral disorder. It is intended to give the general reader, presumed to have no special knowledge either of psychology or of ethics, some information of the applications of recent psychology to the moral life. This function the book fulfils in an interesting and suggestive manner, but on the theoretical side it is hardly full enough. Thus, to take a few examples, a rather sweeping denial is made of the inheritance of mental characteristics which totally ignores the arguments on the other side. The discussion of the instincts is very slight. The list of instincts is borrowed from Dr. McDougall, but the latter would hardly call "ambition" an instinct, but rather a sentiment. One would have liked a little more evidence for the somewhat dogmatic assertion that the instinctive development of the individual repeats the general history of the race (p. 15), and for the view that monogamy is biologically superior to polygamy and represents a later phase of evolution (p. 145). The references to Freud are not always very accurate. Thus Freud does not maintain that our conduct is "all sexual." A very useful distinction is made between sin and moral disease, and the whole problem of moral responsibility is treated in an illuminating manner. Yet the distinction is somewhat too sharply drawn, and what is perhaps more important they do not between them exhaust the whole sphere of wrong-doing. Thus, for instance, there are numerous cases of self-sophistication familiar from Aristotle's discussion of the "incontinent man," which hardly come under either sin or moral disease as defined. Among many other matters, there is a helpful discussion of the relation between will and self, and between happiness and pleasure.

M. G.

The Origin of Magic and Religion. By W. J. PERRY. London: Methuen and Co. Ltd. 1923. pp. vii.+212. 6s.

In this small book Mr. Perry applies what he calls the "historic" method to the problem of the development of magic and religion. Both these originate in his view in the search for life-givers. Particular stress is laid on the idea of immortality, which is supposed to have arisen in connection with the practice of mummification in ancient Egypt, to have led men to go in search of the Earthly Paradise, which thus constituted an incentive leading to a world-wide spread of Egyptian culture and to the establishment in all parts of

the world of what Mr. Perry calls the "archaic civilization." The development of religious ideas is mainly due in his view to the ruling classes, representations of the "children of the Sun." The possibility of independent or parallel origination of religious and magical ideas in different parts of the world is dismissed, and the hypothesis of diffusion from one centre strongly urged. In one passage (p. 175) Mr. Perry goes so far as to say that it is "quite possible that the use of the givers of life had an origin, in the days of the upper Palæolithic Age, in the brain of one man and that the whole of the magical practice of the world has been derived thence." M. G.

An Outline of Psychology. By WILLIAM McDUGALL. Methuen and Co. Ltd. 1923. pp. xvi.+456. 12s.

This work is much more than an "outline." Besides indicating a method of approach, it gives a great deal of the substance of recent psychological research. Professor McDougall repudiates consistently the mechanistic, mosaic or atomistic theory of the mind and bases his account throughout on the conception of man as a purposive being. The method of exposition differs from that employed in most textbooks. Instead of beginning with the physiology of the nervous system and the psychology of the senses, and then leading up to the higher mental processes, Professor McDougall proceeds by a comparative study of concrete behaviour and thus leads the student to the complexities of the human mind, by way of the simpler forms of mental life, evidence of which we obtain by a study of animal behaviour. In the main Professor McDougall adheres to the view of instinct and its relation to emotion, worked out by him in his well-known *Introduction to Social Psychology*. But there are certain important modifications, the list of instincts has been revised and the discussion throughout is much fuller. There is a very interesting account of the nature of laughter, which is regarded as an instinct. In a second volume, which will be awaited with interest, Professor McDougall proposes to deal with abnormal psychology.

MORRIS GINSBERG.

Economics and Ethics. By J. A. R. MARRIOTT. Methuen and Co., Ltd. pp. 283. 10s. 6d.

The object of this book is to examine the relationship between ethics and economics and to discuss "whether the pursuit of wealth is consistent with the service of God." The writer also hopes that the book will serve as a simple textbook of the principles of economic theory as expounded by the classical economists.

As a textbook on economics the book is frankly unsatisfactory. The absence of clear definitions and the frequent quotations must be confusing to those who are not already familiar with economic reasoning. The chapter on Wages covers fifteen pages. Malthus,

Senior, J. S. Mill, Ricardo, Cairns, Fawcett, Walker, and Dr. Bowley are all quoted, but the reader is left without help in estimating the limits of the various theories. The author contents himself with stating that "if the productivity theory of wages be sound, these matters (i.e. the rates of wages) are largely, though not exclusively, in the hands of the wage-earners." State regulation of wages is dealt with very slightly, there is no reference to the effect of trade unionism and collective bargaining, and the chapter closes with the expression of opinion that the productivity of labour is likely to increase and that this will, "apart from temporary fluctuations, be reflected in the upward tendency of wages, and that without detriment to the interests of those who provide the other requisites of production."

In dealing with the subject from an ethical point of view Mr. Marriott adopts the attitude that all is for the best in this best of all possible worlds. "Very seldom," he writes, "does dishonesty prove in the long run to be the best policy. The works of darkness may flourish for a while; but iniquity rarely yields a steady dividend." It may be true that charity giving is unproductive and may do harm, yet it will be difficult for those who seek a practical interpretation to Christ's "Give to him that asketh thee," to accept Mr. Marriott's explanation that wise stewardship is what Christ meant, and that "the foundation of judicious charity is the scrupulous administration of one's own business as a contribution to the Kingdom of God." In discussing socialism the author frankly upholds the capitalist system: he even regards the capitalist with gratitude and admiration as one "who risks his own capital and other peoples' in some great adventure which, if successful, will bring wealth not merely to himself but to society." *Economics and Ethics* is a comforting book to read. It leaves the impression that, if one is sufficiently clever and far-seeing, it is quite possible to serve both God and Mammon.

E. V. ECKHARD.

The Springs of Lavenham and the Suffolk Cloth Trade in the Fifteenth and Sixteenth Centuries. By BARBARA McCLENAGHAN. Ipswich: W. E. Harrison. 1924.

This very readable little book is the result of a research into the history of some of the chief cloth-making villages of West Suffolk, carried out a year or two ago for a Historical Research Certificate at Cambridge. The author has made full use of all the possible sources of information, and from the material thus collected—eked out by a not ungenerous use of the "historical imagination"—has contrived to draw a fascinating picture of life in a Suffolk cloth-making village in the fifteenth and sixteenth centuries.

After dealing shortly with the expansion of the Suffolk cloth industry in the fourteenth and fifteenth centuries, a vivid description is given of the actual local organization of the trade, the methods

of manufacture, the marketing of the cloth—much of which, it seems, was usually bought direct from the craftsmen by London companies, and exported to the Continent in return for alum, woad and oil—and of the Gild organization. Interesting sidelights are thrown on such matters as the size of the Suffolk churches, which were deliberately designed on a relatively large scale, because, in those days, “a parish church had to be a church, theatre and public hall rolled into one.”

Thomas Spring himself, the “rich clothier” of Suffolk, died in 1523, just before the disastrous war of 1528 started that decline in the Suffolk cloth trade which became most serious after the introduction of the new draperies in 1631.

“No clothier ever again attained the vast wealth of Thomas Spring, the third ; and the day was not far distant when Lavenham would gradually give up making the famous blue cloths that had brought to this Thomas the name of the ‘rich clothier.’”

VERA ANSTEY.

School Notes

STUDENTS

The total number of regular students enrolled for the present session up to May 8th is 814, and the total number of occasionals 1,798, making a grand total of 2,612. 265 students are reading for the Degree of B.Sc. (Econ.) and 257 for the Degree of B.Com. There are seventy-six students reading for Higher Degrees, and twenty-one pursuing research for purposes other than Higher Degrees.

EXAMINATION SUCCESSES

The degree of Ph.D. (Economics) has been conferred on Gladys M. Broughton, and, as external students, on P. W. Bryan and L. M. Minty. The following students have obtained the degree of M.Sc. (Econ.) : A. R. Burnett Hurst, Winifred A. Mackenzie, R. N. Vaidya.

SCHOLARSHIPS AND STUDENTSHIPS

Scholarships in Commerce were awarded for 1923 by the Worshipful Company of Cutlers to J. C. R. Price and J. D. Watkins. The Mitchell Studentship, given annually to enable a picked graduate to investigate some feature of business or industrial organization at home or abroad, was awarded for 1923 to C. Y. Shephard, who obtained the degree of B.Sc. (Econ.) in October, 1923, with First Class Honours.

A Research Studentship (on the Ratan Tata Foundation) will be awarded by the School in October, 1924, provided that suitable candidates present themselves. The value of the Studentship, which is tenable for one year, with a possible extension to two years, will be £200 (with fees). The successful candidate will be required to investigate and write a report on some contemporary social or industrial problem. The last date of entry will be September 8th, 1924. Forms of application may be obtained from the Secretary.

STAFF

Mr. A. W. Reed has received the degree of D.Litt.

Professor Edward Jenks, M.A., D.C.L., has been appointed Professor of English Law.

Mr. E. C. Rhodes, M.Sc., has been appointed Reader in Statistics.

Mr. C. E. R. Sherrington, B.A., has been appointed Assistant in the Transport Department.

Books and Periodicals Received

- The Economic Position of the Married Woman.* The Stansfeld Trust Lecture. By Mrs. H. A. L. FISHER. 1924. Humphrey Milford, Oxford University Press.
- Prospettive Economiche*, 1924. By GEORGIO MORLARA. 1924. Societa' Tipografica Leonardo da Vinci.
- Storia della Cassa di Risparmio delle Provincie Lombarde.* 1823-1922. RICCARDO BACHI.
- Le Régime Monétaire Actuel de l'Egypte.* By M. L. G. ROUSSEIR. Extrait de l'Egypte Contemporaine, Revue de la Société Royale d'Economie politique, de Statistique et de Législation. Tome XV.
- Ministry of Labour. Report on an Investigation into the Personal Circumstances and Industrial History of 10,000 claimants to Unemployment Benefit.* 1923. His Majesty's Stationery Office.
- Report on the Present Position in the Building Industry with regard to the carrying out of a full Housing Programme.* 1924. His Majesty's Stationery Office.
- Convention respecting the Compilation of International and Commercial Statistics.* Treaty Series no. 15 (1924). His Majesty's Stationery Office.
- Mortality Experience of Government Life Annuitants, 1900-1920.* Report by the Government Actuary and the Actuary of the National Debt Commissioners. 1924. His Majesty's Stationery Office.
- Woods, Forests and Land Revenues.* Abstract Accounts. Year 1922-3. His Majesty's Stationery Office.
- Report from the Select Committee on Betting Duty.* 1924. His Majesty's Stationery Office.
- Registry of Friendly Societies.* Statistical Summary, showing the operation of Registered Trade Unions for the years 1912-22. His Majesty's Stationery Office.
- Report by a Court of Inquiry, concerning the Wages Position in the Coal-mining Industry.* 1924. His Majesty's Stationery Office.
- Bolletino della Emigrazione.*
Citta di Milano.
- Giornale degli Economisti.*
- Indian Journal of Economics.*
- La Riforma Sociale.*
- Political Science Quarterly.*
- The Sociological Review.*
- Studi Senesi*, 1920-23.

Alfred Marshall 1842—1924

By PROFESSOR EDWIN CANNAN

MOST readers of *ECONOMICA* will by this time have seen Mr. Keynes' charming sketch of Marshall in the September number of the *Economic Journal*. Mr. Keynes is a past-master in the art of describing men, and his portrait of Marshall may well be hung alongside his Clemenceau and his Wilson.

My own personal intercourse with Marshall was not great. When a schoolboy in the Fifth or Sixth at Clifton I knew him by sight as the Principal of University College, Bristol—his fame as an economist had not reached me. He was then about thirty-seven, but looked to me very old and ill. I was told he had one foot in the grave, and quite believed it. I can see him now, creeping along Apsley Road (perhaps I have got the name wrong, but I could show anyone the road I mean) in a great-coat and soft black hat. I just missed him when he was tutor at Balliol, as I was away during that short period, and the next time I saw him was at the British Association meeting at Leeds in 1890, when he was President of Section F. I was astonished to find him apparently thirty or forty years younger than I remembered him a dozen years before. The only other thing I remember about him there is that he confided to me that he could not make head or tail of a very obscure paper read by Patrick Geddes; this stuck in my mind because immediately afterwards, when a subsequent speaker ventured to say on behalf of the audience that they had not understood a word of it, a young woman—whose capabilities, I imagined, were some way below Marshall's—ejaculated indignantly, "Didn't we!" One of the many cases of *omne ignotum pro magnifico*, I thought.

Early in July, 1896, Edgeworth invited L. L. Price and me to lunch at All Souls to meet Marshall, and he and I must have quarrelled over the amount of exercise to be got out of cycling, as I find a letter dated the next day, in which he apologises for not having shown more deference to my authority on the subject—about which Edgeworth seems to have been quite unnecessarily impressive. He ends with a blessing: "I am very glad you are able to take such strong exercise. I trust it promises a long life of great work for economics."

Next I saw him at the Cambridge meeting of the British Association in 1904. He and Mrs. Marshall entertained us economists hospitably, and he amused us at Section F with the exuberance of his intellectual ancestor-worship when he declared: "I verily believe that everything which later economists have discovered is in Adam Smith," and "When Adam Smith said *laissez-faire*, he meant

look before you leap." I do not think I ever saw him again except at the Royal Economic Society's discussion on land value taxation, which was held in January, 1907, in the old hall, now No. 10, of the London School of Economics.

It is a little unfortunate that many reminiscences of Marshall's later pupils give the impression that he was easily annoyed and upset by contradiction and criticism. This may have been so in his declining years, but my correspondence with him, which was exchanged while he was in his prime, shows no trace of it, and exhibits, on the contrary, a disposition to welcome suggestions even when they came from one who had given offence by insufficient respect to the ancestors.

In May, 1893, I sent him a "from the Author" copy of my *History of the Theories of Production and Distribution*, which I should never have ventured to do if he had then acquired his later reputation for "thin-skinnedness." At the moment I only got a kindly letter, in which he says: "It is an excellent thing to have done, and though I am just now immersed in 'Money' and 'Foreign Trade,' I look forward to reading it partially now, and more carefully later on, with the sure expectation of learning much from it." However, unlike most people who receive presentation copies, he did read them, and in the third (1895) edition of the *Principles* (p. 150, n. 2), he says: "Held's point of view has been developed with great acumen in Mr. Cannan's suggestive and interesting *Production and Distribution*, 1776-1848: though some of the utterances of the earlier economists seem capable of interpretations quite as obvious as those which Mr. Cannan attaches to them, and more consistent with the belief that they were not greatly deficient in common sense." There are several other references to the book which show that he had not been made too angry to read it.

He also referred (p. 280, n. 1) to an article of mine on the growth of Manchester and Liverpool, but fell into the error of supposing I was speaking of the municipal areas only, when, in fact, I had given nearly half a page to explanation of the limits of the actual areas dealt with. I had not then found Nirvana ("They say? Let them say!"), and wrote to him pointing out his mistake. I was sorry afterwards, as the matter evidently worried him far too much. He wrote me seven pages of explanation, excuse, apology, and promise of reparation. The most interesting part of the letter is that which shows the backward progress of "Vol. II": "I pushed the third, fourth, and fifth books of my volume through the press at the steady rate of five sheets a week, in the vain hope I might get clear of Volume I before the Long Vacation, and give that—or at all events the part of it which I spent abroad—to Vol. II, which had been moribund." Two post-cards soon followed about the possibility of issuing more corrigenda, and a year later there arrived a letter containing a slip of additional corrigenda and these words, which show how heavy this trifle still weighed: "An accumulation

of heinous errors in my Edn. III has at last driven me to the unwelcome step of issuing additional Corrigenda. I counted the urgency of that relating to Liverpool as much the greatest because it corrected at once an error and a libel."

A peevish author, after so much pain and trouble, would have been glad never to hear of me again. Quite otherwise, Marshall writes on December 9th, 1897, that he is "in need of a little advice" about the fourth edition of Vol. I: he knows that I have been lecturing "on the Principia of the subject," and thinks I "may have had occasion to look at" the book "now and then." Moreover, "I find," he says, "that I agree with you on several questions on which you have expressed opinions that are not commonly held, especially as regards taxation. On these and other grounds" he asks whether or not he should carry out a half-formed intention of throwing the introductory chapters of Book I into an appendix. Some people had found the volume "too long—and little wonder." They had suggested the appendix plan, but "the one first-rate young historian here who takes much interest in economics" vehemently opposed the removal of Chapters II and III. He was thinking of asking Taussig also. The end of it was that the chapters remained in the fourth edition, but were relegated to the appendix in the fifth (1907). I probably voted for the change, without any strong feeling, but, as at the end of his letter Marshall said he would be grateful if there was any other point on which I could give him counsel, I seem to have made at least three suggestions with regard to nomenclature. On December 14th he thanks me for my "most helpful letter," and says "the phrase Consumers¹ Rent was adopted nearly thirty years ago when I thought Producers Rent and Consumers 'Rent' could be conveniently represented by adjacent triangles in the demand and supply curves. But I agree that it is not a good use of rent. On the other hand, I do not know how to do without 'Quasi-rent,' ugly as the word is." Following this up, on January 7th, 1898, he sends an eight-page letter on the use of the words "wealth" and "capital," defending his own practice against Fisher and me. A week later, after receiving another letter from me, he deals most patiently with a number of points of detail which had been raised, and replies most amiably to an objection to the theory of consumer's rent which I had put forward in the guise of an objection to the term:

"I fear," he says, "I don't concur. . . . The same proof seems to me to disestablish rent as applied to land: thus—A farmer has plowed with a shallow plow and two horses. Wheat goes up, and he decides to plow deeper with three horses. One can't (on your reasoning) isolate the product due to the third horse, but must divide the product between the three. Why should one allow a

¹ Thus without any apostrophe. I have just looked through five editions of the *Principles* without discovering whether Marshall preferred "consumer's" or "consumers'," so I leave the word as written.

large share to Cæsar and Pompey and less than $\frac{1}{2}$ as much again to the new horse Captain? That seems on all fours with your Mondays and Tuesdays cycle rides." (I reserve comment on this till my next bout with Professors Bowley and Macgregor.)

At the end of September, 1899, in a kindly answer to a letter thanking him for the new edition of his *Elements*, he agrees that it is difficult to deal properly with government action, "If one grants an inch, people *will* grant an ell," and adds, à propos of the London School of Economics programme for 1899-1900, "In your work about local taxation, I found more points out of the common way that fit in with my own hobbies, than generally fall to the lot of a dyspeptic and querulous reader. So I was specially glad of the wording of the title of Course 30." This was "Economics of Local Government," and perhaps we may conjecture that the "hobby" was the idea that the distinction between taxation and other ways of collecting money is not so marked as is commonly supposed.

In 1906 I was Marshall's colleague as examiner for two Cambridge prizes; our chief work was to find subjects for the next competition, and while he gave far more attention to this than most examiners, he was as considerate as anyone could be towards proposals and criticisms made by his colleagues. We seem to have no further intercourse except that in 1908 I wrote to him, suggesting that the real economic "community" is not the "nation," but something much wider. Even this he bore without the least sign of irritation, writing me quite a sympathetic reply, though he adhered firmly to his own view.

So far as he was, as he says himself, "querulous and dyspeptic," and so far as this did not arise from merely physical reasons, I cannot help thinking that it was due to his determination to write a complete exposition of general economics. This has long ceased to be possible for mortal man. Marshall had more than the usual span of life, and as much leisure as it is really useful to have for book-writing, and he could not win through. The tragic air which is so marked in the best portrait of him, that I have never been able to suffer it on my own wall, always suggests that he is thinking, "If they would *only* let me alone, I could get on with my book." Mr. Keynes is perfectly right. He would have done better for himself and for economics if he had given his life to advancing and defending and developing what was fresh and new in his doctrine instead of including it very slowly and awkwardly among a mass of uninteresting attempts to rehabilitate traditional and often obsolete doctrines. The good, such as the idea of elasticity, would have been popularised sooner, and the bad would have been better criticised and more easily amended or rejected. Even the very fact that his "Vol. I" sold well—for an economic book—was in a way unfortunate, as it made him waste his time on alterations which are often confusing, instead of spending it, as he would otherwise have done, on new work.

His besetting sin was the amiable but ruinous vice of excessive modesty. There was far too little of the "We are much better than our ancestors" feeling about him. He could not bear to say, or even to think, that he had improved anything in the work of the masters, to say nothing of washing it out. True, the masters often disagree among themselves, but this was due to misunderstanding or ungenerous interpretation by the later of the disputants. His excessive modesty makes an illogical cut in his view of the development of economic theory: while Adam Smith, Ricardo, and a few others contain all truth and can only be interpreted and properly qualified, Marshall himself is to be completely superseded—his great book is given, as Mr. Sanger records—to a favourite pupil with an inscription expressing the hope that he will one day render the book "obsolete." His practice with regard to his own predecessors may have encouraged some of his pupils to treat him as "outside criticism," as Mr. Keynes relates, but I am sure that his hope that he would be rendered obsolete was as genuine as it was magnanimous.

Unquiet spirit, "troubled about many things," rest now in peace! Your great book, amorphous, unfinished, and already thirty-four years old, will, as you wished, soon be obsolete, but it will not be forgotten, and whatever happens to it, the devoted men whom you have brought into the teaching of economics entitle you to be hailed, as Adam Smith hailed Europe, with the words: *Magnus pater virum!*

The Growth of International Society¹

By PROFESSOR P. J. NOEL BAKER

THE study of international relations, as a separate subject of academic teaching and research, is new, both in this University of London, and elsewhere. It is a subject, as many people think, of incalculable importance ; it is one of great attractions, of much difficulty, and with dangers of its own. It is a subject on which accurate and complete knowledge is often not easy to acquire ; on which false or at least ill-founded doctrine has spread wide throughout the world ; in which the prejudices or the sympathies that limit all human judgment are most difficult to combat or even to detect. And it is a subject concerning which there are in our day great and rapid changes, world-wide movements, which must make, to everyone who thinks about them, not only an intellectual but a political and even an emotional appeal. It is the more important, therefore, as we embark upon this perilous but fascinating subject, to remember that our purpose, and our exclusive purpose, is not the establishment of dogma, but the search for truth.

The warning is of particular significance in connection with the theme with which I wish to deal to-day. That theme is the progress and development of the organised society of states, illustrated particularly by the events of the last decade and of the last few weeks. It is a theme which evidently goes to the very foundations of the study of international relations. It concerns a development more rapid, more remarkable, perhaps more fraught with consequence to every section of the human race, than any other single political or social movement in the whole of history. I challenge anyone, be he as academic and objective as he may, to consider that development without falling a victim in some degree to political emotion. For my part I confess myself a victim. I can only undertake to strive against emotion as best I may.

There is perhaps nothing more difficult than to understand what is, from the historical or scientific point of view, the true significance of the current social and political events by which we are surrounded. I believe those people are very few who have ever observed the fundamental character of the change in international society which in the space of a generation has taken place. It is not that the facts or events are unobserved ; it is that their inward meaning escapes the notice even of those whom they most closely concern. These changes in international society are of vital import to every citizen of every country ; they have begun

¹A lecture delivered at the London School of Economics on October 7th, 1924.

to affect profoundly the foreign policy of every government ; if they continue they will alter the whole social and political structure of nearly every state. They have already made the study of international relations to-day a very different thing from that which it would have been at the close of the last century. And, with every month that passes, the rapidity and the complexity of these changes go on increasing, until even the closest student may well be bewildered by the kaleidoscopic spectacle that the organised society of states presents.

I do not wish to suggest that the Governments, in some passing fervour for progress or reform, are rushing on in a way unjustified by the real forces behind them, or by the evolution of the human race. I believe the exact contrary to be true. I believe the changes now taking place are long overdue, that they are the belated expression of forces too strong to be resisted, that they constitute a natural evolution which soon or late is bound, unless our whole civilisation collapses, to work itself out to its logical conclusion.

But none the less the rapidity of the change in international society is a matter for astonishment. I have several times used the phrase " the organised Society of States." It is a phrase, as I think I shall succeed in showing, the use of which it is to-day impossible to avoid. Yet a generation ago it could hardly have been used. There was, it is true, the society of states of the international lawyers and the diplomats. That was, in a primitive sense, a true society ; but it was a society, not only unorganised, but to all appearance without even the rudiments of organisation. And even that society was, as history goes, a new development, on the progress of which contemporary observers did not fix, and could not fix, exaggerated hopes.

Of course, in another sense of the words, there has always, from the beginning of history, been an international society. There has always been a community of knowledge, of aspiration, of achievement, among men of different race or political allegiance. The conquests of civilisation are the conquests, not of this people or of that, but of the human race. The leaders of civilisation have been bound together, through all the ages, by the intermingling of blood, by the interchange of language, of invention, of discovery and learning, by the ties of religion, of philosophy and art. Even in their political progress they have learnt and borrowed from each other, until to-day the Greek conception of democracy, of government by reason, and the Roman conception of law and its observance lie at the very foundations of civilised society throughout the world. It is indeed in the broadest sense true, as has been so well said by a great London historian,¹ that " the principle of international interdependence is the real key to the study of the history of the life of humanity." In this sense, then, there has always been

¹ Dr. G. P. Gooch.

an international society, a community of interest and effort and result, a community on which civilisation has rested and by which it has progressed.

Moreover, it is also true that from this community there has resulted what may perhaps be called the common consciousness of human solidarity, upon which every development of the society of states must depend. If that common consciousness of solidarity ceased or failed, all other progress would cease as well. It, and it alone, is the spiritual force that gives the breath of life to the organised society with the growth of which I am concerned.

But the mere existence of this spiritual force, the mere fact that civilisation is a common stream to which a multitude of peoples have made their contribution, has not by itself created an organised international society, in the sense in which the words must to-day be used. On the contrary, as I have already said, an organised international society of states is a new thing. For it is clear that there could not have been in any sense a society of states, a society of human beings organised in political groups, before those states or political groups came into existence and established contact with one another. And that did not happen, or did not happen in any degree to which we need pay attention, until the Middle Ages ended with the emergence of the sovereign state.

It is true, of course, that from the dawn of history mankind has been organised in an infinite variety of political groupings. Man is a political animal: the history of his progress from barbarism is the history of the machinery by which, in smaller or greater groups, he has managed his common affairs. But for many centuries of recorded history these political groups hardly came into contact with each other except at rare intervals and almost always for the purposes of war. Sometimes, indeed, the contact of war resulted in the permanent contact involved in the subjection of the weaker to the stronger party. Thus at different periods of history great empires were built up that covered much, in some cases practically the whole, of the civilised world as it then was known. But such empires, important as their services to human progress sometimes were, did not create, could not create, a society of organised peoples. On the contrary, by their very nature they excluded any such society from springing up.

Sometimes, indeed, there were, for brief periods of time, rudimentary societies based on continuous contact between different political groups of men. Usually the constituent members of such societies were groups of men belonging to a single race. The tribes of Israel, the city states of Periclean Greece, the republics of ancient Italy, may be said perhaps to have constituted among themselves such societies. It is possible to trace, in their mutual dealings, the first beginnings of an international law. But these international societies, if such they were, never had any very real existence; they covered but a tiny part of the human race; they lasted but a moment

of time ; they disappeared, leaving few if any marks behind them in the political development of human institutions.

It is, then, only from the end of the Middle Ages, when the present system of independent sovereign states emerged, that there has been in the modern sense an international society of states. It is from this beginning, from the state system of the fifteenth and sixteenth centuries, that our present international society has, by a continuous and unbroken process, been evolved. It would take too long to describe in detail the stages of that process. But for long after it came definitely into existence, long after the rulers of the separate political groups recognised that they were bound by the ties of a common international society, that society remained primitive and weak. It is true that the emergence of the present state system coincided—perhaps it was not an accident—with a strengthening of the international community of culture and of trade. But so far as the political groups, the states themselves and their governments, were concerned, the contact which they had still remained fragmentary, casual, relatively unimportant except when chance or policy brought them into armed conflict with each other. Throughout the seventeenth and eighteenth centuries the society of states remained even at its best a poor and feeble thing. Its nature and its worth are portrayed with damning faithfulness in the diplomatic records of the time or in the textbooks of that international law which during those centuries it evolved—an international law concerned almost exclusively with the privilege of embassy or with rules for the gentlemanly conduct of war. Neither governments nor peoples showed any consciousness of common interests or of common purposes in the dealings which they had with one another.

Nor, of course, was that surprising. As I have said, the relations of the members of the society of states still remained, to a great extent, the relations of war. It was indeed rather surprising that a few great men like Grotius and Leibnitz and Bynkershoek had succeeded in carrying even so far as it was carried the generally accepted conception of a society of states with common legal rules. No society can go far beyond the basic facts of the intercourse on which it rests. And in the seventeenth and eighteenth centuries international intercourse was small and still relatively unimportant.

But in the nineteenth century that ceased with startling rapidity to be true. The century began with a prolonged and devastating war, in which the greater part of the civilised world was involved. Such a war even then produced psychological reactions on international life of which the importance is sometimes overlooked. But another, a new and vital factor, soon after came into play. Scientific discovery and invention began to be applied not only to the production of goods of every kind, but to communication. As the production of manufactured commodities increased and was specialised, the means for their transport were developed. So, as an

aftermath of the industrial revolution, there followed the expansion of the means of communication by sea and land which has ended in the virtual destruction of the international barriers of time and space. There is no need to dwell on the vast change that this has wrought. America to-day is in every sense nearer to London than Scotland was a century ago. The most remote places of the world have been brought, by the steamship, the railway and the telegraph, into close and continuous contact with the great centres of civilisation. Nor has the process ended. On the contrary, aircraft and wireless telegraphy hold possibilities which we can but dimly foresee, and which may carry the process of change incomparably further than it was carried in the nineteenth century.

But even in the nineteenth century it produced profound changes in the whole nature of international relations. It created a vast new system of international trade and commerce. That in its turn led to the vast extension of foreign travel and settlement. For these reasons, and for many others allied to them or similar in nature, intercourse between governments and between peoples became continuous and infinitely complex. The process continued until at the end of the nineteenth century it was true to say that, by trade, by social intercourse, by exchange of thought and learning and invention, the society of states had built up a great community of interests common to all its members alike: a community of material interests, a community of spiritual interests, and, perhaps the most developed, a community of intellect.

These changes in the basic facts of international society were not altogether unaccompanied by improvements in what may be very loosely called its structure. In his inaugural lecture at Cambridge as Whewell Professor of International Law in 1888, Westlake was able to assert that "in the gradual improvement of international relations, the precision and observance of the rules of international law is continually on the increase." International law as a whole, and in all its parts, undoubtedly progressed. There was an increasing consciousness on the part of the governments of common interests, and of the need of common action to promote them.

But, nevertheless, the astonishing thing about the development of international society in the nineteenth century is that, in spite of the great changes of which I have spoken, in spite of the vast increase of intercourse, it still remained a society almost without political organisation. It is not, indeed, quite true to say that it remained wholly without political organisation. In three separate directions organisation was begun, and the rudiments of international government began to appear. But these beginnings were all made, as it were, subconsciously; they were isolated responses to the pressure of great international forces. And even of those who took part in them very few understood their significance or foresaw any of the results to which in the fullness of time they were destined to lead.

It is worth while to examine very briefly these three nineteenth century beginnings of international organisation. The first and the most important of them was the Concert of Europe.¹ The Concert of Europe existed, or rather from time to time came into fitful existence, for the period of a century. Its composition varied, but it included all those Powers to whom at the moment the world at large, led by the original members of the Concert itself, accorded the somewhat nebulous privileges of a Great Power. It claimed throughout the century to speak for Europe as a whole. It continually intervened in disputes between European powers, and justified its intervention by an appeal to the interests common to all European states. On the same ground it upset treaties that had been made, dictated settlements, imposed conditions of every kind. Throughout the century, speaking broadly, its authority was not challenged, and its actions were endorsed by the acceptance, or at least the acquiescence, of all the states concerned. It was, in fact, a political organ of the first importance, used by the leading members of the society of states for purposes which they invariably alleged to be in the common interest.

The work of the Concert, moreover, has left a permanent imprint on the development of the society of states. For example, by its treatment of the Near East problem, by its gradual disruption of the Turkish empire, and its establishment, one after the other, of autonomous national states, it laid the foundations of the modern state system which has emerged from the war, and upon which the existing society of states is based. By inventing and by enforcing upon the new national states which it created, and even upon one of the Great Powers themselves, the system of Treaties for the international protection of minority rights, it made possible, both politically and legally, the present series of Treaties for Minority protection under the League of Nations—Treaties which constitute one of the essential bulwarks of European peace, without which the state system of 1919 could hardly be expected to survive. And in yet a third way the Concert rendered signal and enduring service. By its long predominance it undoubtedly created for its members a special position in the society of states, a position of authority in *la haute politique*. A few writers—Westlake was the chief among them—even asserted that this position of authority was fast becoming a legal right, that the individual and collective authority of the Concert was becoming a legal element in the structure of the society of states. This view was violently contested; nearly every writer on international affairs opposed him, and held that the Concert was nothing but a temporary and utilitarian

¹The Concert of Europe was supplemented at the end of the nineteenth century by what was sometimes known as the World Concert. It was, of course, much less developed than the Concert of Europe, but many of the general observations here made about the latter apply, *mutatis mutandis*, to the World Concert.

political device. Westlake was proved right sooner than he himself expected that he would be ; when the League of Nations was set up, the recognised position of the members of the Concert gave them a claim to a special constitutional position in the political organs of the League—a position which has never for one moment been challenged, and which, it is not too much to say, has been an essential factor in rendering the institutions of the League a working and practical success.

The Concert, then, by its work throughout the nineteenth century, rendered great and enduring services to the cause of the organisation of the society of states. But it did not itself become an element in an organisation ; it did not lead, nor was it apparently even tending to lead, to such an organisation ; it remained, in the minds of nearly all who used it, and to the world at large, nothing more than a temporary, almost a casual, expedient for dealing with emergencies as they arose. It may be doubted whether any statesman between Lord Castlereagh and Lord Salisbury realised the potentialities of the instrument they were using, or the historical significance of the work which they made it do.

The same remarks that I have made about the Concert apply with almost equal force to the second tentative effort towards international organisation that was made in the nineteenth century. This second effort consisted in the law-making conferences which were summoned on different occasions from 1855 onwards, and which culminated in the two great conferences at the Hague. These conferences, and particularly the Hague Conferences, rendered great and enduring services in the organisation of international society. They furnished to the League of Nations the conception of, if not a model for, the Assembly of the League, without question the most surprisingly successful international institution that has ever been established. They laid the foundation for the great development of international legislation by means of general conventions which is an essential factor in the present growth of international society. They also laid the groundwork which enabled the League of Nations to create without delay the Permanent Court of International Justice.

Yet, having rendered these services, the law-making conferences remained, till the very outbreak of the Great War, an isolated effort. They did not become an element in a scheme of organisation ; it was, indeed, proposed that they should be held at regular intervals, but the proposal was not followed up ; to governments and the world at large they were still but a casual experiment, of questionable importance and doubtful success.

The same is also true, though in a different way, of the third beginning in international organisation which the nineteenth century witnessed. This beginning consisted in the establishment, by general international conventions, of permanent international offices to control and promote the everyday material interests which

the increase of international intercourse was making common to all peoples. There were a number of such international offices: to mention those for Postal Services, for Telegraphs, for Public Health, will illustrate sufficiently what I mean. These permanent offices, and the conventions by which they were set up, constituted a definite model, and a model consciously followed, for the great technical international organisations which have now been set up to deal with Labour conditions, with Economic and Financial questions, with Transit, with Health, and so on—organisations which have already a considerable record of achievement and a brilliant prospect of future service. The importance of these nineteenth century conventions and offices, therefore, from the point of view of the development of international society, cannot be disputed; yet before the war their existence was hardly known, their significance was in no way understood. They, too, remained isolated expedients forced on the governments by urgent practical needs.

I do not wish to labour the point I am trying to make. It is simply this; that while during the nineteenth century the fundamental basic facts of international society were completely changed, men in general remained unconscious of the meaning of these changes; that in consequence the organisation of international society, which ought normally to have followed these changes, and which was urgently required, was never carried out; that, on the contrary, such beginnings of organisation as under the pressure of practical necessity were made, remained isolated and unco-ordinated efforts, the development of which was stifled by the short-sightedness or indifference of governments and of peoples alike. These beginnings had served to show that international organisation was possible. It is useless to speculate on what might have happened had an attempt been made to bring them together and to build on the basis they provided. No such attempt was made, and for that reason it is substantially true to assert that international society, in spite of the revolutionary changes in international intercourse which had meanwhile taken place, remained till 1914 very much at the same point of political development at which it was a century before.¹ It remained, that is to say, a society with a most inadequate system of legal rules, and without institutions; a society in which every member retained almost in its entirety that unfettered sovereign discretion to do what it liked irrespective of the interests of its neighbours, with which the state system emerged from the Middle Ages.

There is one other aspect of the pre-war international society to which it is necessary to refer. The nineteenth century saw the

¹Oppenheim was able to write in 1919: "Hitherto the body of civilised states which form the family of nations has been an unorganised community"; and in combating Westlake's view about the position of the Concert, he added: "The Concert is certainly not a consequence of an organisation of the Family of Nations." *Vide* League of Nations and its Problems, pp. 28, 29.

enormous spread of democratic government. It also brought for the first time in history the spread of universal and compulsory education. Illiteracy among the voting citizens of the civilised states began to disappear. But this education did not bring with it a knowledge of foreign nations. It was still possible for Westlake at the close of the century to write: "As soon as the boundaries of the state are passed common action ceases or is limited to rare occasions or to matters conducted by officials, like international posts or telegraphs. The very existence of foreign nations is chiefly brought home to the mass of mankind by some opposition of policy or rivalry of interest, it is well if it be not by war." It may not be unfair to argue a causal connection between this mass ignorance of foreign affairs and the slow development of international society to which I have referred.

Upon this international society, then, such as I have tried to describe it, there burst in 1914 the cataclysm of the world war. From whatever point of view it is regarded, the world war must always be a fact of capital importance in the study of international affairs. But there is one aspect of it, certainly not the least important, which is too often overlooked: I mean the psychological effect which it produced on the minds of the generality of men. I believe it is hardly possible to exaggerate the importance of that psychological effect. For five years the events of the war affected in an intimate, continuing way the whole life of almost every individual human being in the world. It brought acute personal discomfort and suffering, in one form or another, directly or indirectly, to perhaps a quarter of the human race. It remained for all those years the one unending topic of discussion in almost every home and every camp throughout the world, from Australia to Greenland, from China to Peru.

And in these ways it affected with most force those voting democracies to whom the domestic national progress of the nineteenth century had given the elements of education. The civilised world consisted in 1914 of peoples whose eyes had been opened, whose intellectual awakening had been prepared, and these peoples were suddenly brought face to face, day by day, for a great period of their lives, with the tragic, the catastrophic results of their defective international organisation.

The experience produced a veritable revolution in the opinions of the generality of mankind. It produced one of those mass psychological effects from which great political results, sooner or later, inevitably follow. It awoke the average citizen in every country to a knowledge of the rest of the world; it wiped out almost at a blow the ignorance of which Westlake complained; it forced on every citizen the conviction that foreign affairs were his own intimate concern; it roused a resentment against the defects of the existing international system of which we have as yet hardly begun to see the full results.

No one indeed will dispute that the war produced an indelible effect on the mind of almost every human being in the world. But the revolution of opinion which was thus caused seemed by one of the inscrutable processes of human growth and change to touch the mass of mankind far more than it touched their rulers. It was a change in the minds, in the methods of thinking, and in the purposes of the peoples far more than in those of their governments.

It seemed, indeed, at the close of the war six years ago that the rulers of the world had learnt but little from the ordeal through which they had passed. The preparations for the Peace Conference which were being made at this time six years ago, were ominous indeed. When the apostle of a new order of international affairs crossed the Atlantic it was the peoples rather than the governments who made him welcome. It was the peoples who received him almost as if he were divine. The revolution of opinion had hardly touched the rulers of the world.

But there were among these rulers a small group of men whose minds had changed, who understood the new world, who shared the new conceptions. They were a very small group indeed, but among them two of the important leaders were Anglo-Saxon by extraction. And, though few, they were men of practical genius. They seized on the revolution of opinion which the war had wrought ; they led it and used it to achieve the new steps in international organisation which they knew to be necessary ; and they produced the Covenant of the League of Nations.

It is not yet six years since the first draft of the Covenant was written ; it is only four and a half since it came into force. Yet events have moved so fast that it is, I believe, already possible to judge its place in the history of the development of international society. It is, I believe, already possible to say that what it has achieved is a permanent and enduring achievement ; that the changes which it made will last ; that international society, however it may evolve, will go on from the Covenant as its starting point and will never relapse to the unorganised condition of the nineteenth century.

To say this is to say that the Covenant is a work of genius. Many statesmen who did not help to frame it, but who have since been called upon to use it, speak of it as a work almost of inspiration. Certainly in its working it has justified in a remarkable way the expectations and the forecasts of its authors. And what makes this success the more remarkable is that, while, as I have said, the Covenant was not in advance of the practical necessities of the international situation, while it was not in advance of the opinion of the mass of mankind, yet it was in advance, and very much in advance, of the ideas and the dogmas and the practices of the governments from which it emanated, and for whose use it was intended. It was, indeed, so much in advance of the conceptions generally accepted by the governments that it had to be defended

by the use of the old dogmas. Thus the British official commentary on the Covenant defended its provisions by alleging that it involved no sacrifice whatever of the individual sovereignty of the member states as it had previously existed in international law. At the time both the writers and readers of this commentary believed that statement to be broadly true. Yet in fact, the Covenant involved the sacrifice by every state which accepted it of many of those rights of independent sovereignty which had characterised the state system of the world since the sixteenth century, and which had rendered international society the chaotic and unsatisfactory thing it was.

What were these rights? They included the right of every independent state to be the absolute judge of its own actions and of the merits of its own disputes; the right of every state to enforce its views by war on any other state on any occasion—a right of war unlimited by any rules whatever; the right of every state, not only to go to war with any other state, but, if it were successful, to override every right which the other state might have, and to annex its territory or its property to any extent for which it could force acceptance; the right of every state to make any preparation for war which it might desire to make, whatever menace to its neighbours or to international society as a whole its preparations or its armaments might involve. These rights, which, let it be repeated, were legal rights, universally recognised and universally acted upon, dominated the whole of international history from the sixteenth to the twentieth century. They were rights no doubt which were contrary to all international interests and to international morality. They were anomalous and anachronistic; but that did not prevent them from being the very foundation of international society as it existed until 1914.

At one blow the Covenant swept these rights away. It abolished the right of a state to be absolute judge in its own disputes, and created instead an obligation to accept the impartial investigation of these disputes, and in many cases the impartial decision of international society as to their merits. It abolished the right to go to war except in certain very narrowly restricted cases after international society had failed to secure a settlement of a dispute generally accepted as wise and just. It abolished altogether the rights of annexation and conquest. It imposed on all states which accepted it, obligations to reduce and to limit their armaments, and to co-operate to the extent that might be required to defend international society against the attacks of any aggressor upon its common peace. In these ways, by abolishing what we are surely entitled to call the monstrous pre-war rights of unlimited and unrestricted sovereignty, by imposing new obligations of mutual protection and of disarmament, by imposing obligations to publish all international treaties of every kind, and to participate in every form of international co-operation for the promotion of common

interests, the Covenant changed fundamentally the whole foundation and the whole character of international society.

And the Covenant did more. It proceeded to organise these changes by establishing a complete system of international political institutions. It set up an Assembly of all its members, which has developed, or at least is fast developing, into an international parliament. It set up a Council which has become an international ministry; a Secretariat which has become an international civil service; a Permanent Court of International Justice, which serves as the law court for international society; technical organisations, which fulfil the purposes of government departments. The Covenant thus created a whole new system of legal obligations for international society, and a complete new political machinery to execute these obligations.

Thus by the acceptance of a single international document there emerged from the chaotic unselfconscious international society of the nineteenth century a new society with a new system of law and a new and complete political organisation. There is one point about this change which is of much interest from the point of view of political science. The acceptance of the Covenant constituted perhaps the first genuine Social Contract in political history. It was a real social contract of exactly the sort which the old political philosophers believed, or alleged that they believed, to have taken place at the dawn of man's social history. The following quotation from Locke shows perhaps how exactly the Covenant was a social contract. "Man hath by nature a power not only to preserve his property, that is his life, liberty, and estate against the attempts of other men, but to judge of and punish the breach of that law of nature in others. But because no political society can be nor subsist without having in itself the power to preserve the property, and in order thereunto to punish the offences of all of that society, there, and there only, is political society where everyone of the members hath quitted this natural power, and resigned it up into the hands of the community in all cases that exclude him not from appealing for protection to the law established by it. And thus all private judgment of every particular member being excluded, the community comes to be umpire by standing, settled rules, indifferent and the same to all parties." I believe that in Locke's sense the Covenant is a true social contract; that states which accepted it "quitted their natural powers and resigned them up into the hands of the community." And I believe too that the Covenant made as great a change in the nature of international society as Locke believed that the social contract had made in national society—a change practically from the state of nature to the state of political organisation. It is indeed perhaps not an exaggeration to say that the Covenant produced the most remarkable change that has ever been made in any human society by a single conscious act.

I believe, moreover, as I have already said, that this change was a permanent and enduring change. And let me repeat that the change could not have been enduring unless it had been founded, as it was, on a change in the facts of international intercourse and contact which alone create the reality of international society, and unless it had also been founded on a revolution in the opinions and the minds of men. If either of these changes had not been real; if, that is to say, the Covenant had attempted to go beyond the real community of interests or the real community of ideas which had preceded it, and on which it was founded, it would have failed. In form it was itself a great political revolution. Had this revolution not been based on great underlying forces neither the new obligations which the Covenant established, nor the new institutions which it set up, would ever have had the breath of life. But no one who studies current international affairs can doubt that they have the breath of life, and that in consequence the change which they have introduced in international society is real and will be enduring. I believe, therefore, and that is why I have chosen this subject to-day, that henceforward it is necessary to think of international relations as relations of a permanently and comparatively highly organised political society, to think of them, in other words, in terms of law and of political and social science.

If anyone had any doubt about the somewhat bold propositions which I have been putting forward, or about the true place of the Covenant in the history of the development of international society, I think it would be dispelled by a close examination of the events which have taken place in the last few weeks, and which have led to the preparation of what I think history will call the Geneva Protocol.

It has not yet been appreciated how important an event in international relations the Geneva Protocol really is. Its preparation was, of course, a much easier achievement than the preparation of the Covenant. It is itself based on the Covenant, and is indeed a mere extension of its principles. Moreover, its authors have had five years' experience of the working of the Covenant upon which to build. But in its way it is almost as remarkable as the Covenant itself. It is another great social contract, another landmark in the development of international institutions. It would take too long to deal with the details of its proposals, important as those details are. Broadly its provisions cover three different subjects—the pacific settlement of international disputes, sanctions, and disarmament. From the political point of view disarmament no doubt is the most important of the three, indeed the success of the whole Protocol depends upon what can be accomplished in this respect. Disarmament, however, is irrelevant to my present purpose; it is only the first two parts of the Protocol which concern directly the development of international society. Roughly its provisions on these two subjects carry further the principles of the

Covenant in the following ways: First, they abolish altogether the right of war. Second, they impose the obligation to submit every international dispute of every kind either to the Permanent Court of International Justice, if the dispute is of a legal character, or to a special tribunal of arbitrators if it is not suitable for decision by the Court, and has not been previously settled by the conciliation of the Council. Third, they impose an absolute obligation to accept and to execute any decision rendered by the Permanent Court or by an arbitral tribunal. Fourth, they define more accurately and organise more completely the joint measures embodied in the Covenant for the coercion of an international criminal. It is worth noting that the international criminal is defined not as the state which fails to execute the verdict of a tribunal—against such a state milder measures must be taken. The international criminal against whom sanctions are to be let loose is the state which resorts to war in violation of the “international solidarity of the community of states.”

There is no need to stress the importance of these provisions from the point of view of the development of international society. Their importance leaps to the eye. They involve not only the absolute abolition of war—a political institution which has dominated international relations from the beginning of recorded history—but beyond that they would, if carried into force, render almost complete, in principle at least, the organisation of international society. They would give to international society the almost complete framework of a political organisation designed to control all the relations of its members and to deal with every conflict of interest which may arise between them.

In conclusion, I want to offer some general reflections on these provisions of the Protocol, which are not perhaps irrelevant to my theme. It has been said, and will no doubt be said again, that the Protocol goes too fast; that while, as subsequent events have proved, international society was ready for the Covenant when it was made, it is not now ready for this great new step. It may be so. If it is, we shall shortly find it out, for the governments will refuse to ratify the Protocol. It will not be forced on them as the Covenant was forced on them by being embodied as part of a general Treaty which they had to accept or to reject as a whole, and which in fact they were not at liberty to reject. The Protocol stands alone and the governments have complete liberty to accept it or not as they will. But up to the present time it is necessary to admit that the indications are in favour of the view that they will accept it; in favour of the view, that is to say, that the Protocol does not go too fast. This conclusion is indeed suggested by the process by which the Protocol has been prepared. If that process is compared with the preparation of the Covenant it is seen in itself to constitute an immense advance. The Covenant was prepared by a conference where only thirty-two governments were represented. Even on many

of these governments it was, as I have said, virtually imposed. The Protocol has been prepared by an assembly representing fifty-five governments. It is the result of three years' continuous work. It has been formed and drafted in debates public to the world, in the course of which representatives of the fifty-five governments concerned have made plain their belief that their governments will ratify it and carry it out. In another way the signs are favourable. The Protocol does not stand alone. Within the last few weeks there have been other acts by governments, taken independently, which are of the same nature and which indicate the same governmental state of mind as the Protocol itself. Only a few weeks ago, for example, France at the London Conference not only accepted but herself proposed the principle of obligatory arbitration for all disputes which might arise between her and Germany on the subject of reparations in the future—in other words, the greatest military power in the world itself proposed obligatory arbitration on the most vital of its national interests. Last week in Geneva another Great Power—the British Empire—and Turkey, both accepted in advance the decision which will be given by an impartial international body, the Council of the League, on the question of the Mosul vilayet—a question of vital importance to both countries. Last week France signed without any reservation of importance the Optional Protocol which confers on the Permanent Court of International Justice compulsory jurisdiction in all legal disputes. The British Empire similarly announced its intention of signing this Optional Protocol and of accepting the compulsory jurisdiction of the Permanent Court with reservations which in no way affect the importance of the step. Three weeks ago yet a third great power—Italy—and Switzerland, signed and ratified a Treaty for universal compulsory arbitration by the Permanent Court of International Justice—a treaty which involved the formal abrogation by both countries of that restricted right of war which the Covenant still left them. At the end of August, Poland settled, on the basis of legal decisions, most of which in fact had been given against her, all the outstanding minority questions in which she was involved with her great Western neighbour the German Reich. And only last week Greece and Bulgaria, two powers situated in the most turbulent storm-centre of Europe, where minority questions have always been of capital importance, came voluntarily to the Council of the League and invited the Council to appoint independent international commissioners to supervise in their respective countries their execution of their obligations for minority protection.

Had any of these actions stood alone, it would have constituted a great international event. Yet they have all been crowded, and many others like them, into the space of a few weeks. I believe they justify the view that the standards of international morality are rising, that the governments as well as the peoples are now ready to go fast and far in improving and perfecting the organisation of

justice and the organisation of political institutions in international society.

There is one final reflection that I want to make. It has been said in criticism of the Protocol that it is based on force ; that it errs in organising sanctions against international criminals. It is evidently not a subject on which anyone can dogmatise. It is evidently a matter of opinion whether sanctions are necessary at all to the organisation of a perfect society. There was indeed for very many years a controversy among jurists as to whether sanctions are required at all to give legal character to the rules by which any true society must live. To-day that controversy is ended, and everyone is agreed that while sanctions are an element—human nature being what it is—in any really good legal system, they are not in any sense whatever the basis or the foundation of law. The basis of all law in every society is consent, evidenced by observance.

Well, for my part, I believe that what is true of other societies is true of international society as well. And I believe also that it is only fair to say that in both the Covenant and the Protocol the sanctions provided are only an element in a system ; they are in no way the basis on which the structure has been raised. That basis—and it is this which gives both to the Covenant and to the Protocol their true importance—is the acceptance of new obligations which give expression and effect to the new conceptions on which the international society of to-day is built ; the conceptions that there are great international interests common to all peoples ; that these international interests are superior to the individual or sectional interests of each state ; that there are common standards of right and justice ; that it is the duty of each and the duty of all to act loyally together to uphold the public interest and public morality. It is on these conceptions, I repeat, that the modern organised political international society of to-day is built. The mighty, the universal spiritual force of which they are the expression and from which they spring is the great vital factor, the mainspring of life in all international relations, whether between governments or peoples. If in our new study and research, which in this University we hope to undertake, we lose sight for long of this vital factor, of this spiritual force, we may be very sure we shall be straying from that truth which it should be our unbending purpose to pursue.

Competitive and Social Value

By PROFESSOR L. T. HOBHOUSE

I HAVE been asked to set down here the gist of some remarks made at a recent meeting of the Sociology Club on the occasion of an interesting address by Mr. H. D. Henderson on the "Implications of the Cambridge School of Economists." It is not altogether an easy task. Mr. Henderson's views are not before the reader and if I were to state and criticize them from memory, or even if I were to appear to be so doing, I might do him an injustice. My acquaintance with the able group of writers in question is very partial and may be vitiated by misapprehensions. But, as the points which I raised were held by some very competent auditors to be germane, it may be hoped that to present the substance of them here may give the opportunity for removing any misapprehensions that there may be, and so help to clear the issue which seems to have been revived between the abstract and concrete methods in the study of Economics. That issue is of the first importance, vitally affecting the whole method of studying economic phenomena and whatever hope we may have of effecting economic improvement.

The central conception in modern economic theory is, as I understand, what is called the Marginal Principle. If we suppose a system of exchanges in which everyone concerned is guided by an intelligent appreciation of his own material interests, seeking to gain as much as he can by giving as little as he can, then in such a system the price of any article or service tends to a point at which the supply of it will be equal to the effective demand. For if the price is above this point it tends in general to call forth an additional supply or to restrict the demand. Either of these effects and *a fortiori* both combined go to reduce the discrepancy. If, on the other hand, the price falls below the equilibrium point, the reverse movements are set going and equilibrium is approached from the other side. Consider one of these movements, say, the increase of supply due to a favourable price. This will proceed with an energy proportional to the excess of the obtainable price over cost. But if the increase of supply increases cost or lowers prices this energy will diminish, until a "margin" is reached beyond which (other things remaining constant) all inducement to increase the supply vanishes. *Mutatis mutandis*, corresponding conceptions apply to changes of demand. What pertains to this "margin" and its immediate neighbourhood is called "marginal." An increment of supply where the margin is approached—ideally, the last profitable increment—is a marginal increment. The marginal increment of supply less the cost of effecting it is the marginal net product. In

terms of money this is the marginal net revenue produced by the additional expenditure. The price per unit of the commodity which just suffices to yield such net revenue is the marginal price, and the other goods and services which this price commands the marginal value.

This conception of the margin, introduced originally to explain the rent of land, and taking visible shape in the outer fence of the last intake from the moorland, is now applied to every factor in production—whether it be the use of land, buildings, machinery, human brain or muscle. Each factor has its value determined by its marginal net product. It either is or is not worth while to introduce a new machine or an additional “hand.” If the increased output just exceeds the increased cost—managerial trouble being reckoned as cost—it is just worth while. *Mutatis mutandis*, the same considerations apply to the shutting down of a process, the abandonment of a mine, or of a particular seam, or the discharge of an operative. But we are not to suppose that marginal value affects only those persons or things that we thus picture as flitting to and fro on the threshold of industry. Every grade of skill, for example, up to the highest has its own marginal value, and the marginal value is what each man *of that grade* will get if and in so far as his remuneration is determined by a free bargain. Thus we all sit, somewhat uncomfortably, upon our margins unless we are protected by monopoly or custom, or long contracts. Causes such as these obstruct the tendency of marginal values to establish themselves in actual prices. Moreover, every sort of economic disturbance—any new process, any shift of demand—is always moving the equilibrium point itself. Marginal values, we may take it, are meant to be values which would actually be reached if (1) competition were perfectly free, and (2) economic conditions were stable over a long period, but which at a given moment express not realized results but operative tendencies.

It follows from this conception that so far as competitive self-interest is working without obstruction every factor in production alike obtains in the course of exchange its marginal net value. If and so far as any factor obtains either more or less than this it is due to something that obstructs or deranges or defers the free operation of competition. Anything of the nature of exploitation it appears must be due to some such derangement. Thus of wages Professor Pigou writes:

“Now, when things have settled down in more or less stable conditions, the play of economic forces tends to secure that in industries in general wages do correspond to the value of the marginal net product of labour.”

Thus under really free competition no worker, professional or manual, can complain of exploitation if that means giving more value than he gets. There is one comprehensive and consistent principle regulating all exchanges, viz., the marginal net value of

the goods or services produced. Moreover, the operation of this principle produces the maximum national dividend, for if any factor is being paid more than this value it follows that better value will be obtained by substituting something else, and if the factor is being paid less than its value it will pay to increase it. Thus given freedom of mobility, a transference of industrial energies will take place, till the fullest value with the least waste in the circumstances of the case is obtained from each factor. The result of this transference is then to secure a larger total of general satisfaction. Thus the principle is not only comprehensive and consistent but socially advantageous. That is to say it is just. It gives to all fair value, fairness being that which works out to the maximum benefit of all concerned.

It would seem to follow that whatever economic evils there may be arise not from the excess but from the defect of free competition, and that whatever we may seek to do by way of remedy must lie—some exceptional cases apart—not in an endeavour to control the industrial system in the general interest, but in the removal of obstructions to the free disposal of our faculties and our belongings. And though there may be cases of “exploitation” or “profiteering” which we should combat, the ideal distribution at which we should aim is that to which competition, so far as it is freely operative, is always tending. This is—to revert to an old terminology—the natural system and any departure from it is dangerous and in principle unsound. True economic “laws” are universal. Strictly speaking we cannot disobey them any more than we can disobey the law of gravity. But we can disregard them and with no less disastrous results.

If it were indeed the truth that the most selfish desires of each of us would, if only left unfettered, work out to the good of all, it would be a miracle of pre-established harmony which we could but stand and admire as we admire the ordered procession of the heavenly bodies. But unfortunately it is a miracle which the Disposer of all things has not performed. Even for the individual the repeated satisfaction of passing desire is not the way of enduring happiness. Still less do the aggregate satisfactions of a number of selfish individuals add up to a sum which is the happiness of the whole. Stated in terms of satisfaction, the national dividend is a polite but unscientific fiction. There is no sum of satisfaction which is equitably apportioned among all members of the community as shareholders. From competing selfishness there arises a complex mass of personal and partial satisfactions, many of which are also dissatisfactions to somebody else, and, what is more, deductions from or lesions of the true conditions of general well-being. This is, of course, fully recognized in certain cases: e.g., an ill-managed public-house is a source of temporary satisfaction to tipplers and of profit to the publican, but would be universally recognized as a source of net loss to general well-being. But we must go much

farther than that. No small proportion of honourable and, on balance, useful expenditure involves us in countervailing expenditure. Railways and motors take us far afield to reach solitude, beauty and repose—and they cease to be solitude, beauty and repose.¹ The whole development of urban traffic and suburban life is a struggle for a combination of advantages which is always defeating itself by its success. The greater the traffic facilities, the denser the crowds that take advantage of them and—what is still more odd—the less apparently do they pay. People are forced to go further in order not to fare worse. There is probably net gain in the development as a whole; but only net gain. For fiscal purposes we add together the revenues of the traffic services and the rents of suburban houses, but the total does not represent a sum of satisfactions, but rather a tangle of conveniences and inconveniences, annoyances and adjustments through which people have found their way to some *modus vivendi* with their circumstances. The kind of life which results from every man seeking his own as best he can in the maze, is not at all to be identified with the kind of life which would be chosen by men envisaging society as a whole and co-operating intelligently in the pursuit of its well-being.

Here the reply may be that, since such co-operation asks too much both of our morals and of our intelligence, the only resource is to fall back on personal freedom of choice. This is lower but not yet safe ground. The supposed freedom is largely illusory. Men may be freed from legal restraints, but they are never free of the social system. At any given moment the choices we make are narrowly limited by the circumstances in which we find ourselves. We are set in the framework of our society. It is not an absolutely rigid framework. It allows a little mobility to some and more to others. But when within the limits allowed we make our choice, make a contract or enter on an occupation, for example, we have to give up something of the little freedom that we enjoyed and are circumscribed by our own acts. The pressure is greater and more insistent upon us in proportion to our necessities. If we are well to do in the world we can at least afford long views. If not, we must in practice bow to necessity as it comes. We have to accept what we should unhesitatingly reject if we could ever afford to wait for a better chance, and each time we so accept we make it more difficult for ourselves ever to reach a position in which our opportunities would be enlarged. What we do now—cannot help doing—will be used against us afterwards. Failure breeds failure as success causes success.

When people talk of freedom they are too apt to wipe out mentally the institutions and entire fabric of society. They think for the moment as though men were starting afresh with no handicap but

¹ The development of the private motor in the United States, as it approximates to the ideal of one household at least one car, is described by observers as tending to defeat itself by the jam on the roads which it entails.

the differences of their innate faculties, no inherited wealth or position, no differential advantages of education, no aggregations of capital, no going concern of industry and commerce into which each must somehow fit his economic life. Freedom under such conditions would at least be equal, but it would not be long before its operation would build up the frame anew and each man would find himself enmeshed in the system determined by his own acts and those of his neighbours. But to suggest a particular sort of freedom—freedom of individuals from collective regulations—as the regenerator of an old society compact of deep-rooted traditions, great hereditary estates, huge industrial concerns, established professional customs, and permeated by extreme economic inequalities, is to betray entire lack of understanding of that which freedom in the concrete means. In particular some who speak of freedom do not seem to consider sufficiently that, as a social principle, freedom, like any other element of a common good, must be something in which all can participate alike. The freedom of A to use his power over B is the reverse of freedom for B, and when it is limited by law or any kind of collective regulation social freedom is not impaired. In general, great inequality of position impairs freedom for the weaker party in a bargain, and whatever redresses such inequality or obviates its effect, makes for a more social freedom, that is the kind or degree of freedom in which all can participate alike.

Just as the actual framework of society limits freedom, so it underlies value in exchange. The market, wherein the price of an article is said to be determined by its marginal value, is a social creation with limits narrowed or expanded by social conditions, and within it the marginal value itself is determined by the number of people wanting the article on the one hand and the resources available for its supply on the other. No doubt, so far as competition is effective, things of one kind tend to one and the same price and this a price which for the time being balances demand and supply. But this price in turn is not cause but effect of an array of social and material factors. The course of production is shaped, to begin with, by the desires of those who can pay, the lightest desire of those who have the means being more effectual than the most urgent need of those who have not the means.¹ There is, therefore, nothing sacrosanct about the relative prices of things or services which happen to rule in any given society at a given time. They are conditioned by the character of the society, by its degree of enlightenment, by the evenness or unevenness in the distribution of wealth, as well as by the material resources of the community. Now the relative price of material things does not concern us for the moment except so far as it affects the payment of services, but the payment of services does concern us, for it is by this that the fairness or unfairness of our economic system is to be judged.

¹ Thus, at a time when many could not get a house at all, one has seen great houses adding wings or garages.

When some economists define fair wages for any service as those which would generally be obtainable for a service of that kind, they appear to assume that there is no standard at all except the actual forces that operate in a given society at a given time. They would admit apparently that a man, who coerces or cajoles another into accepting something less than the generally recognized rate, is acting improperly. Yet it is by the entire system of such pressures i.e., by close and hard bargaining, that competitive rates get fixed, and the man who is exercising a little more pressure than the normal may be just the forward and enterprising spirit who is initiating a new downward movement of wages and prices. If it is fair that remuneration should be fixed in this way, why blame the pioneers? The truth is that at its best higgling is an ugly proceeding, and the most successful higgler neither an object of beauty nor of social utility, though often a notably successful carver out of fortunes.

What is more to our purpose, however, is that those who define fairness by reference to general practice have no answer to make to anyone who arraigns that practice as itself unfair. That is to say, they have none if they stick to their definition. They can only deny that there is or can be any standard beyond that which a given society at a given time happens to recognize, but it would be very difficult to qualify such a standard as necessarily fair if it may vary and if in some cases it fails to make adequate provision for human needs. Our economic analysis, therefore, has another equation in reserve. The remuneration generally obtainable for any service is the equivalent of the marginal net product of that service. What could be fairer? Actual equality of value—a relation independent of all variations of opinion, custom, social structure, mathematically measurable, and, since it maintains the balance of supply and demand, socially desirable. Without some such conception behind it the notion of fairness could never be whole-heartedly identified with mere generality of observance. What then are we to think of this equation? Is it (*a*) true that in industries in general wages do tend to correspond to the marginal net product of labour, and (*b*) is this, if true, a sufficient proof that they are in any and every case "fair"?

On the first point I suppose the "marginalist" would argue somewhat after this fashion. Assume a class of workers as helpless economically as you choose to make them—untrained unskilled women, say. Allow that an employer begins by paying them less than their marginal net value. Then he will make abnormal profits, which will either attract the attention of other employers and cause them to bid for the same class of labour, or will enable him to expand his business and thus increase his own demand. It will follow that the economic position of the workers will improve and wages will rise until the marginal point is reached. But though this is one possibility, I think it is only one of several. Another possibility, perhaps more likely to be realized, particularly

in villages and slow moving country districts, is that the women will exhibit little or no resilience to an advantageous situation. They will take what they have been accustomed to and ask no more. They may profit a little by continuity of employment, but will expect no higher rate. The employer, whom I assume to be acting in the terms of the argument as a sheer economic man, may then expand his business to the limit of his resources and of his business capacity and in that way reach his margin. This, however, is a margin not determined by the productivity of the women's labour, but entirely by the employer's convenience, and he continues to reap a surplus until it is convenient to him to retire from the scene.

At the same time another process may be, probably is, going on. Through continued underpayment and constant employment in low grade occupations the women themselves have become worth rather less. Alternatives are gradually closed to them, their elasticity of adaptation is diminished. They are perhaps half-dependent on charity and the poor law, and the children growing up to replace them start life a little lower in the scale than their mothers. Now it becomes doubtful whether they could after all obtain more if they stood for it. The marginal value is approached by the reduction of their efficiency.

Yet another alternative is possible. Rival employers who were paying better wages find themselves undersold, and are forced to cut wages to keep their trade. All alike come to the margin, society in general benefiting in some degree by the reduction of price at the expense of the worker. The pioneer employer—the more complete and perfect economic man—has found out that labour could be got more cheaply than was supposed and so has forced an all-round lowering of the margin both of prices and wages. The women may get the equivalent of their net product; but this product as measured in money has been fixed by the action of the employer who began the under-cutting.

Again, there is the possibility that the employers paying better wages might meet competition by improvements, more machinery, better organization, and reliance on the more willing service resting on "fair" conditions. Once more there will be a tendency to equilibrium; but on quite different lines moving to a different point, and once more the point depends as much on the action of the employers as on that of the workpeople.

Which of these various lines will, in fact, be followed depends a good deal on bargaining power. When many things are pressing hard on one another the most squeezable (does it need saying?) will be the most squeezed. As each man seeks to expand his trade he finds himself forced to cut prices, and to do so he must cut costs, and the easiest way of cutting costs is to take it out of those who at the moment can offer least resistance. Eventually he comes to a point beyond which he cannot go, and this is the margin. In terms of the prices which have thus come about, the lowest grade of workers

are very possibly receiving the equivalent of their marginal net product. But who fixed the margin? If they were not squeezable, if they were combined, if there were a statutory wage, the margin would be cut at a different point. What would be the effect on prices, on the volume of the product, on the employment of different classes of workers, it is not possible to say a priori. But the conditions to which the industry would have to adapt itself would be different. There would be methods by which it could no longer be carried on with profit. There might be places in which it could not be carried on with profit. There might be employers by whom it could no longer be carried on with profit. But it does not necessarily follow that the total output would be less. There would be a transference from one place to another, one method to another, one type of employer to another, and in this transference all relative values would be affected.

I am not for the moment considering the merits of the methods of limiting competition. I am concerned only to illustrate ways in which the bargaining position of workers may affect the whole system of values. For this gravely affects the import of any answer that we may give to our question, Do wages tend to coincide with the marginal net product of labour? From what has been said it would appear (1) that it is not necessary that they should, and (2) that, if they do, we have still to ask what fixes the margin. For (a) if equivalence between wages and productivity is established, this is as likely to be effected by the modification of productivity in terms of money as by modification of wages; (b) such modification is more likely to be due to the action of employers or of forces which neither employers nor workers control than to any response on the part of the workers; (c) as such circumstances vary, so will the point of equilibrium shift. There is an indefinite number of possibilities and the worker, unless highly alert and organized, has probably less say in deciding between them than other parties to the transaction.

This brings us to our second question, whether equivalence of payment to net productivity is necessarily fair. There seem to be two possible standards by which we can decide whether a man is treated fairly. One regards his needs as a human being, the other, what we call his deserts, a complex and difficult conception of which, however, we can say this much with certainty, that it turns on what he is or does or even might do. Now marginal equivalence does not necessarily satisfy either of these conditions. It may give the worker less than his human needs. It may not suffice to keep him in the bare necessities of permanent health, to say nothing of the conditions of growth and expansion of faculty. He may be unable to live on his wages without resorting to charity or the poor law. There is nothing in the principle of the margin to prevent this, and it occurs. Nor does it necessarily give him his deserts regarded as something personal to him, some function

of his personal qualifications or performances. For, as we have seen, his personal performance is only one of several independent variables determining his wages. The others are not under his control. The actual quantity of a given product which he turns out at a given time may be constant, while the payment that he gets for it may vary materially from causes which he cannot command. This is the root of his desire, as soon as he becomes alert and organized, to have some hand, direct or indirect, in the determination of selling prices and thereby of the course of trade. He may be insufficiently equipped for the purpose and, like other people, when he has obtained power he may abuse it, but in the endeavour to make his remuneration an effective factor in the determination of prices instead of the mere sport of the market he is only refusing to be the plaything of circumstance.

Admittedly the employer cannot systematically pay the worker more than the value of his product, or the employer himself would eventually be brought to the ground. But the obtainable value is relative to the system in which the producer is working. It may be one thing in a system of unregulated competition and quite another in a system regulated with a view to securing the real and permanent needs of all members of the community. To give two illustrations. Such a system would have no use for the employer whose speciality is driving and hard bargaining. It would rule him out by the insistence on standards. His marginal value to it would be nil, and the field would be left for employers who desire their workers to share in their success and are interested in making the best of them. Nor, again, would it countenance the use of a worker under conditions which, however convenient for the moment, would tend to his permanent deterioration. It may be perfectly true that an elderly operative, who was never trained and never had a respite from the urgency of need to make a fresh start, would not now under any system produce the equivalent of a reasonable maintenance. But a community organized with a view to making the best of its members would not allow the operative to fall into this condition if it could be avoided. At any rate, his productivity as it now stands is something quite different from the productivity of one similarly endowed whose lot has been cast on other lines. What is in a manner "fair" now to the stunted cramped faculty would be a great deal less than fair to that faculty as nature framed it. So here we have a glimpse of what fairness really means. It is, at any rate, the sufficient stimulus and maintenance of industrial faculty. But not of any faculty. Not of the various ways of amassing wealth at the expense of others. These have their reward as things are; but it would be "fairer" that they should have none. Their marginal net productivity to society is negative. Whereas all that can add to the social well-being is of positive value and requires that reward which sustains it at the maximum of efficiency. Marginal productivity would be

a good enough test in a system deliberately shaped to meet the real needs of human beings, in the order of their urgency.

In general, the value of a commodity or a service is relative to the system of exchanges within which it is produced or performed. In what we call a competitive system it will be one thing. In a system governed by the permanent needs of general well-being it will be another thing. There would be different scales of prices and costs. In each system prices must be adjusted to one another, if the system is to go on working ; but the basis of the adjustment would differ. So far as the common well-being dominates the economic order, the urgency and generality of human needs become the principal factor in effective demand and govern the direction of productive energies. The drain on vitality, the quantity and quality of human energy put into work, become the main determinants in its cost. The opportunities of obtaining or holding wealth without social service are diminished. Such changes shift the economic equilibrium, and the resulting system of values, no less necessarily adjusted to one another than those of a competitive system, may with more reason be deemed fair to all parties since it is their common well-being on which it rests.

“Such an ideal,” it may be rejoined, “is well enough. Unfortunately it is in conflict with economic laws which no changes of institution and no effort of human will can alter. Economics is a science like any other and the laws which it discovers are universal and unconditional. We can only bow to them, we cannot alter them or avert their consequences.” How far, we must ask, is this true? Are economic laws independent of the institutions and even of the character of men, or are they statements of consequences which flow from institutions or from character? There appear, in fact, to be different possibilities. If a law correctly states some relation of physical facts, it is obviously independent of human motive and, therefore, whatever our motives may be, cannot be ignored without unfortunate consequences. The law of diminishing returns to land was held to be a law of such a kind, but its history shows how careful we have to be in making any such assumption, for it soon became clear that the law would not hold good unless due allowance were made for changes in the industrial arts and other circumstances dependent on the human factor. But we need not doubt that there are physical laws which are relevant in the economic sphere, and these, of course, no change of human motives could affect. But with regard to the main laws of demand and supply it is otherwise. These base themselves directly on generalizations about human motives. They assume that in production and exchange men are constantly trying to get as much as they can and give as little as they can. Suppose for a moment—it may be a great strain on the imagination, so I ask it only for a moment—that it were not so. Suppose that human nature actually worked on the Christian principles which also

claim a universal authority. Imagine then the economic scene. We should have the coal owners addressing the miners on the inadequacy of their pay. "Do consider," they would say, "the arduous and dangerous nature of your toil, the risks you encounter, the toll of life taken by defective roofs and escaping gas which all our precautions cannot prevent, the dismal and unhealthy character of life underground, the necessity of providing for premature old age. You really must agree to shorter hours and higher wages." And the miners would reply, "You are very good and there is some truth in what you say; but we do not quite see how it is to be done. Your returns are already cut to a fine point and you are hardly recompensed for your heavy responsibilities and anxieties. We are afraid that any increase in our wages must affect the price of coal and bear hardly on workers who are already poorer than ourselves. The risks we run have their compensations, and we are pleased with our sons when they follow us into our job, because we think it makes men of them. So it is for you to put your brains into the elaboration of cheaper methods of extracting coal and when you have done that you can come and talk to us about raising wages." A grotesque phantasy all this, you may say. Possibly. I am only pointing out that, if this were, in fact, the way in which human nature worked, the main laws of economics would be entirely different. But I go on to add that, even if there is only a little bit of this element in human nature, the laws of economics are just to that extent different from those which have been assumed. As a matter of fact, the economic man is just as much an ideal in the scientific sense as the pure Christian is an ideal in the moral sense, and the one is no more completely realized than the other. If the miners do not show that idealized regard for the general consumer which I have feigned, is it not true that they show some regard for one another? The suggested "pooling" arrangement, for example, may be unsound; but it does clearly imply some considerable sacrifice on the part of the richer coalfields on behalf of the poorer ones, and it could scarcely be put forward if the Yorkshire miners were pure economic men bent on getting the last penny of advantage out of the virtues of Yorkshire coal. The entire Trade Union movement is founded on loyalty—a partial loyalty, the loyalty to one's mate, which too easily becomes a combination against the rest of the world—but still a loyalty and not a purely selfish ambition for personal ends. What has to be done with such loyalties is not to destroy them but seek to educate and widen them. The bottom necessity, as Mill said long ago, is that men should learn to dig and weave for their country as they have learnt to fight for their country, and the converse truth—without which the worker will never learn that lesson—is that their country must learn to do them justice.

I have no very great belief in changes in human nature, if that means the average of the inherited powers and propensities with

which men are born into the world. But which of these propensities will operate and to what sort of life they will work out is a very different question. Here the social structure is the prepotent factor and this structure, though founded on these same propensities, does in fact change very materially from place to place and from age to age, as men in their mutual intercourse envisage new lines of behaviour, new modes of life, and accommodate themselves thereto, and with any such change the economic system may be modified and the balance of economic forces may be shifted. In particular, as men trust to their social propensities and come to view life as a whole, motives deeply rooted in humanity, though overlaid by more selfish cares or obscured by narrowness of imagination, come to their own and are recognized as the setting within which the life of the individual himself is seen at its best. Every step in this direction modifies the balance of economic forces, however slightly, tending to make the real and permanent needs of the community preponderate over the self-centred desires of individuals. Careful statements of the uniform results of given conditions are not altered; but conditions are altered and their equally uniform and scientifically assignable results come about in due course. One need not believe in a single centralized system of production and distribution. That has its enormous well-known difficulties. Some play of free initiative is needed, not for personal ambition, but for the general good. But we may, without straining our optimism, believe that there is enough available wisdom to note the essential needs that are unfulfilled and to discover means of amendment. We shall have our failures and we must recognize from the outset that social improvement, like all human advance, goes through trial and error. In making our experiment we should be foolish to ignore economic analysis, but we should be extremely careful about the conditions of any law which it propounds. That twice two is four is a generalization which changes of human motive will not affect. But that the product of four hours' work is twice the product of two hours' is an inference on which the physiologist and psychologist have a good deal to say, and its truth may be materially affected by motive in the form of sustinment of interest. One can see that our old friend the marginal principle itself would have an application even under the most rigid socialist system, for the organizers of such a system would have to measure costs against products and one kind of product against another, and in so doing they would come to margins. Only their standard of measurement, their valuation of goods and costs, would be different and their margins would be cut along different lines from those of a competitive economy. Thus there may be laws which, carefully stated, are universal and yet under changed conditions would work out very differently, and there may be laws which merely state the consequences of conditions which are themselves variable.

The theories arrived at by the analysis of existing conditions are very liable to confuse the two and to assume a rigidity of form against which we must be on our guard. Here the study of the concrete is our resource. We must look to history and the comparative method to see how things change, and to contemporary history, descriptive economies, the statistical measurement of change, the imaginative realization of life as it is for our neighbours, to check abstraction and to guide experiment. We need a rational ethics to give comprehensiveness and consistency to our aims and a scientific psychology to test the solidity of their grounding in human nature. These are large demands easier to state than to fulfil. They serve their purpose if they indicate that economic analysis is a part in a much larger whole. It is an important part ; but here, as in other cases, the better teachers have been those who have not restricted their vision to the field of their special effort ; but have realized that there is something wider which it is theirs rather to serve than to command.

Short and Long Rates of Interest

By F. LAVINGTON

It is a little surprising that the abundant literature of the London Money Market should show so little sign of curiosity on what might well be expected to be one of its main interests: the relations between the different prices in the market; in other words, the relations between the different rates of interest on capital supplied for short and long periods. Why do the average levels of short and long rates differ? How far is it true that these two sets of rates rise and fall together? And, finally, are changes in long rates appropriate in *magnitude* to corresponding changes in rates for short loan money? To some of these questions, no doubt, market experience can readily give a general answer. This paper is concerned with the answers given by such figures as are available for the purpose.

The development of the London Short Loan Market has been greatly favoured by fortune. Its supply of short loan money could hardly have been so abundant had historical events given our banking system any other than its present form. For the practice of our English banks of offering either cheque-making facilities or a rate of interest in exchange for deposits is peculiarly efficient in attracting the spare funds of the public. At the same time the highly centralized character of the system makes it convenient for bankers to lend a substantial part of these deposits for short periods and to, so doing to provide, perhaps, two-thirds of the total supplies available in the London Discount market.

On the other hand, innumerable uses for short period supplies of capital arise from our vast merchanting operations. And these uses, expressed in the form of bills, and supplemented by the needs of the Stock Exchange, provide a wide and ample demand for short period funds.

This great and even development of the two sides of the London market, in sharp contrast to that of New York, has naturally had its balance disturbed by the finance of war. A great increase in its supplies, together with a decline in the volume of bills to about one-half of a pre-war amount estimated at £350,000,000, left a deficit in demand which has been filled, and much more than filled, by Treasury bills. It would be interesting to speculate on the level which short loan rates may reach when recovery in our foreign trade expands the volume of commercial bills. But we are concerned here with rates as they have been and as they are. First:

THE RELATION OF THE AVERAGE LEVELS OF SHORT AND LONG RATES.

Is there any reason to expect any difference between the average annual rates for short and long loans?

The circumstance that short loans, because they are more troublesome to the lender than long loans, should command a higher rate may be set aside, for they are also more troublesome to the borrower. The further circumstance that the rate on any loan is appreciably affected by the market conditions anticipated at the date of repayment is more important. But that influence works sometimes in one direction, sometimes in the other. It does not explain permanent differences in the average level of short and long rates. For that explanation we must turn to other considerations.

Every lender, however strong his financial situation, is exposed to the incidence of imperfectly foreseen emergencies and opportunities which he can meet effectively only if his capital is readily recoverable from the uses in which he employs it. As a lender, therefore, his ideal situation is one in which his capital is invested in uses from which he can withdraw it at any time convenient to himself. Hence, in order to secure themselves against imperfectly foreseen contingencies, bankers and private persons alike will be willing to supply at least a part of their capital for such uses at rates of interest exceptionally favourable to the borrower. And if it were desired to extend the argument to trade and industry generally, one might fairly argue that the merchant who buys pig iron, which is readily saleable, will be content with a smaller net return on his capital than the iron-master who commits his resources almost irrevocably in the construction of blast furnaces.

On the other hand, any limitation of the period for which capital is supplied limits the profitableness of its use to the borrower. The shorter the period of supply, the narrower is the range of uses in which he can safely employ it, and the greater are the risks to which he is exposed from his liability to repay at short notice. From his point of view, therefore, the ideal situation is one in which the borrowed capital is repayable at his option and is therefore available for employment in the widest possible range of uses. Accordingly he will make his strongest bid for capital which is available on these terms and will offer lower and lower rates as the conditions of repayment are less and less favourable to him.

The greater willingness of lenders to lend and the less willingness of borrowers to borrow for short periods rather than long, work on rates in the same direction and lead to the expectation that rates of interest will be at their minimum for loans repayable on demand and will rise as the period of supply lengthens.

A comparison of actual rates bears out this expectation. Ordinarily the lowest rate is paid for day-to-day money; higher rates are paid for short loans; still higher rates for loans to stockbrokers; and

these differences hold good for post-war as well as pre-war conditions.

The following figures are sufficient for present purposes. A complete consideration of the relations between rates and period of supply would make it necessary to examine the yield on a continuous series of investments ranging from day-to-day money, through bills, through short-dated securities maturing at more and more distant dates, up to irredeemable gilt-edged stocks. And an explanation of their relative yields would need to take account of the numerous post-war anomalies in the prices of stocks and the influence of the conditions anticipated at the various dates of redemption. For the sake of simplicity, therefore, such a comparison is omitted.

AVERAGE RATES.

<i>London.</i>		<i>New York.</i>	
Day-to-day money, 4 yrs. 1919-22	3'44	Call Loans, 22 yrs. 1890-1911	3'67
Short Loans, ,,	3'90	60-90 Day Bills prime comm.	4'7
Short Loans, 5 yrs. 1911-15	2'85	12 Railway Bonds	4'23
Loans to Stockbrokers, ,,	4'27		
3 mos. Bills, ,,	3'50		
Short Loans, 4 yrs. 1919-22	... 3'90		
3 mos. Bills ,,	... 4'54		

The failure of the discount rate always to conform to the expectations of the argument shows that the argument is not yet complete. Its final stage is more conveniently dealt with under the heading of the second part of the discussion, namely :

THE RELATION BETWEEN CHANGES IN SHORT
AND LONG RATES.

It might very reasonably be argued that there are no good grounds for expecting any close connection between short and long rates. The supply of short loan money, it might be urged, is determined by the amount of capital which bankers and others find it convenient to lend on these particular terms ; that is, it is largely determined in an arbitrary way by the historical development of our banking system ; while the demand is governed mainly (apart from Treasury bills) by the volume of a particular set of merchanting and Stock Exchange operations in which short period money can suitably be employed ; and accordingly that there is no obvious reason why the relative pressures of demand and supply for capital available for these particular uses should correspond with their relative pressures in that wider market for long period capital where demand and supply are governed by more general influences. It is not reasonable, for example, to suppose that heavy speculation on the Stock Exchange or an abnormally high price for raw cotton, either of which would increase the demand for short money, would always be accompanied by a corresponding increase in the demand for capital for the expansion of industrial equipment. It would be more reasonable to expect that the

movement of the two sets of rates in the two markets would be largely independent of one another.

This argument would be a sound one if it were possible to grant its assumption that the supplies of short and long capital were each tied to its particular market and were not free to move from one to the other. And this assumption would itself be a sound one, were it not for the development of a device, commonplace in form but cunning in function, which enables any lender to supply capital for long period employments without sacrificing the special advantage of being able to recover his capital at will.

Owing to the development of an efficient market in securities, any party who buys, say, railway debentures and so supplies capital for long period uses, can recover the market value of his investment, without disturbing the borrower in his use of the capital, whenever his particular financial situation makes it desirable to do so. So, too, in the bill market. It is no doubt the fact that the Clearing banks never re-sell their bills; yet the ability of other owners of bills to sell their holdings in the market in order to meet any unforeseen contingency, puts them almost in the ideal situation of lenders—that of having their capital recoverable at will. And this seems quite sufficient to explain the apparent anomaly that the average rate of discount for three-months bills may be below the rate paid on loans to the Stock Exchange, which are made for shorter periods but are yet less readily recoverable.

The effect of the invention of the Stock Exchange in facilitating the movement into long period uses of capital which lenders are prepared to supply only for short periods of time, can hardly be less important than the effect of the more deliberate invention of the steam locomotive in facilitating the movement of goods. The influence of highly-organized markets in securities and bills must be very important, too, on the relative levels of rates in the short and long loan markets. In their absence the great bulk of the supplies of loanable capital would be available only for short period employments; the rates paid for capital to be employed in such uses as railways and industrial plant might well be far above their present level; while rates paid for capital for short-period merchanting operations might sink to zero. Such speculations are, however, not very relevant to the immediate practical question: the connection between movements in the average levels of short and long rates.

The comparison most conveniently made is that between the average rate of discount for three-months fine bills and the average yield on Consols. In the former case, the rate of return is variable and the capital value fixed; in the latter, the rate of return is fixed and the capital value variable. In both cases the security is about equally good. It would be expected, therefore, that as capital is free to move between the two markets, the average level of the two rates would be closely similar, and that they would

change in close agreement with one another. The actual figures show that the Rate and Yield, when averaged over periods of years, have corresponded closely; though in the last two years, for reasons which will be considered later, the two have shown a marked divergence.

	<i>Average of Daily Rate on 3 mos. Bills.</i>			<i>Yield on Consols.</i>
1892-1903	...	...	2'88	3'23
1904-1913	...	...	3'24	3'02
1914-1923	...	...	4'10	4'43
1920-1923 (Oct.), 3 yrs. 10 mos.			4'23	4'81

Since the yield on Consols and the rate on three-months fine bills, when averaged over periods of years, are so closely similar, it is natural to expect a close connection between their annual changes. It is a little surprising, therefore, to find that when the annual average yield and the annual average rate are plotted on a chart, this connection is not exposed: to find that during the twenty-two years ending with 1911 the Yield and the Rate moved together only fourteen times and moved eight times in opposite directions.

The close connection which one would expect to find between the two movements is, however, brought out by an alternative method of presentation adopted by Mr. Williams in a paper published in the *Statistical Journal* of March, 1912. In that paper Mr. Williams compared the changes in the average annual yield and the average annual rate for the sixty-one years ending with 1910; and showed that, with few exceptions, every change in the average rate was accompanied by a change in the average yield in the direction of the new rate. He showed, that is to say, that the annual changes in the Yield and the Rate were not necessarily in the same direction, but that each change in Rate was accompanied by a change in the Yield which brought the two closer together than they would otherwise have been. That this connection still holds good may be seen by comparing the movements during the subsequent period 1911-23:

	<i>Annual Average</i>		<i>Agreement or</i>
	<i>Rate.</i>	<i>Yield.</i>	<i>Difference.</i>
1911	2'92	3'15	
1912	3'63	3'28	A
1913	4'38	3'40	A
1914	2'85	3'34 (7 mos.)	A
1915	3'70	3'82	A
1916	5'20	4'31	A
1917	4'81	4'58	A
1918	3'59	4'40	A
1919	3'95	4'63	D
1920	6'39	5'32	A
1921	5'21	5'21	A
1922	2'63	4'43	A
1923	2'68 (10 mos.)	4'29 (10 mos.)	A

In support of the evidence given by these figures it may be noted that during the period of twenty years ending with 1909, the annual average yields of French Rentes and German Threes moved in close relation to their corresponding market rates. It happens, however, that in both these cases and in the latter period of comparison between Consols and bills the connection between Rate and Yield is brought out almost equally well by the ordinary method of presentation on a chart.

These results may do little more than give precision and certainty to what is already known to common sense and experience. It is, however, something to be able to say with confidence that there is an intimate connection between changes in the annual average of the discount rate and changes in the annual average of the yield on Consols, a yield whose movements must be broadly representative of movements in gilt-edged stocks generally.

In proceeding to test whether the annual movements in the yields of other types of securities also conform to movements in discount rates, one meets the difficulty that many of these yields, for reasons which do not need discussion, do not tend to approximate to the rate on fine bills, but fluctuate about a permanently higher or lower level. It would seem, therefore, that Mr. Williams' method is inapplicable. Nevertheless, if the method is slightly elaborated, it may be applied to show that the movements of some at least of these yields are intimately connected with movements in discount rates.

Consider the figures for the average annual yield of twelve American railway bonds and the average annual rate on four to six-months commercial bills in New York. For the twenty years ending with 1909 the average rate was 5·80 per cent. and the average yield was 4·23 per cent., showing an average difference throughout the period of 1·57 per cent.

If, therefore, there is a connection between the annual movements of these bond yields and the annual movements of these bill rates similar to the connection between the yield on Consols and the London rate of discount on three-months bills, it is to be expected that the bond yield will constantly tend to approximate to a figure 1·57 per cent. below the New York bill rate. In order to show whether or no this connection exists, the following table is given. In the first column are set down the annual average rates; in the second column these Rates minus 1·57 per cent.; in the third column the average annual yields. The fourth column gives the result of a comparison between the movements shown in columns two and three. *A* indicates that a change in Rate is accompanied by a change in Yield towards the new Rate. *D* indicates divergence.

			RATE.			
			<i>Rate.</i>	<i>Rate 1.57 %</i>	<i>Yield.</i>	
1890	...	...	6.89	5.32	4.72	
1891	...	...	6.50	4.93	4.85	A
1892	...	...	5.38	3.81	4.64	A
1893	...	...	7.62	6.05	4.75	A
1894	...	...	5.22	3.65	4.59	A
1895	...	...	5.73	4.16	4.48	A
1896	...	...	7.02	5.45	4.54	A
1897	...	...	4.72	3.15	4.38	A
1898	...	...	5.31	3.74	4.21	A
1899	...	...	5.48	3.91	3.96	A
1900	...	...	5.71	4.14	3.95	D
1901	...	...	5.41	3.84	3.79	A
1902	...	...	5.75	4.18	3.77	D
1903	...	...	6.21	4.64	3.96	A
1904	...	...	5.13	3.56	3.92	A
1905	...	...	5.17	3.60	3.82	A
1906	...	...	6.24	4.67	3.94	A
1907	...	...	6.55	4.98	4.22	A
1908	...	...	4.95	3.38	4.16	A
1909	...	...	4.67	3.10	4.00	A
Average	...		5.80	4.23	4.23	

The table shows nineteen changes in the corrected rate. Seventeen of these changes were accompanied by changes in the yield, which brought the new yield closer to the new rate. Two of the changes were accompanied by very slight divergences (.01 and .02) in the yield. Plotted on a graph, these movements show no appreciable correlation. The use of Mr. Williams' method, however, makes it clear that there is here the same intimate connection between the long period yield and the short period rate as was seen to exist between the return on Consols and London bills. The yield on these railway bonds tends constantly to conform to a level 1.57 per cent. below the discount rate for four to six-months bills.

It is a fair presumption that there is a tendency for all investment yields to conform in this way to discount rates. But it must not be expected that the tendency can always be isolated and exposed; it will, of course, frequently be concealed by changes in yield due to changes in the public estimate of the worth of the particular security under examination. The selection for comparison of a yield which was an average of the yields of twelve sound bonds had the advantage of eliminating the effects of disturbances due to changes in the particular financial circumstances of individual securities. When the comparison is made with the yield of a single security, the conformity of its movements with movements of the discount rate is naturally less close by reason of these arbitrary changes in the yield of the security arising from changes in its credit. But the connection may still be clear.

A particularly safe security is the West Shore Railway bond.

A comparison of its yield with the rate on 60-90 day bills in New York for a period of thirteen years ending with 1911 gives the result : $A=9$, $D=3$. A similar comparison of the yield on L. and N.W. Deb. Stock with the rate on three-months bills in London for the period of seventeen years ending with 1910, gives the result : $A=11$, $D=4$, No change= 1 . But, again, these two results are brought out almost equally clearly by the ordinary graphical method.

As the comparison passes from the average yield of a group of bonds, through the yield of individual sound securities, to the yield of stocks which are more and more subject to the disturbing influences of changes in their particular financial circumstances, the conformity of the movements of Yield and Rate is likely to become less and less apparent. But it seems to be a fair conclusion from these figures that the annual average yield of every sound fixed-interest stock is likely to show a tendency, more or less marked as its credit is more or less stable, to conform to a level x per cent. above (or below) the annual average rate in the bill market.

THE RELATIVE MAGNITUDE OF THE CHANGES IN SHORT AND LONG RATES.

There remains the more interesting, more important and much more difficult question : Are the changes in long rates appropriate in *amount* to corresponding changes in short rates : more specifically, are their changes in periods of rising and declining business activity such as to make it always about equally profitable to invest in bills and in securities ?

In order to investigate this, let us neglect any difference between the cost of investment in bills and in securities ; let us assume that a considerable volume of capital is free to move between the two markets ; and let us compare the rates for three-months fine bills with the yield on Consols for two periods of five years, having as their centre points the " peak " years 1907 and 1920 respectively :

				Rate.	Yield.
1905	...	...	...	2'62	2'78
1906	...	...	...	3'97	2'83
1907	...	...	...	4'49	2'97
1908	...	...	...	2'29	2'91
1909	...	...	...	2'28	2'98
Aver. of 5 years ...				3'13	2'89

The 1907 Boom.—If the Rate and the Yield had clearly defined normal levels to which they returned when the effects of boom (or depression) had exhausted themselves, the comparison would be a simple and conclusive one. The two normal levels could be used as bases of measurement. The extent to which the Rate rose above its base in boom years would serve to measure the additional

profitableness of investment in bills; the extent to which the Yield rose above its base would similarly serve to measure the increased profitableness of investment in Consols. And a comparison of the results would show whether or no the rise in the one was appropriate in amount to the rise in the other.

In fact, however, as there are no such clearly defined normal levels of Rate and Yield, it is necessary to substitute for them the average levels during the five years over which the comparison extends. These two averages were, it is seen, 3·13 per cent. and 2·89 per cent.

In the year 1907 the average yield on Consols rose to 2·97 per cent., or ·08 per cent. above its five year average. Accordingly, anyone who invested £1,000 in Consols at their average price in that year would have secured an additional yield of £8 per annum. But this additional yield is, of course, a perpetual one; its value to the investor is the present value (at 2·89 per cent.) of that perpetual additional yield: i.e., £28. Hence, in order that investment in discounts should have been equally profitable, £1,000 employed in the bill market should have given an additional return of about £28 before the rate again fell to its average level of 3·13 per cent. But in fact, as the table shows, £1,000 so employed would have earned an additional return of ·84 per cent. (3·97—3·13) in 1906, and of 1·36 per cent. (4·49—3·13) in 1907, giving a total of about £22. During this period of exceptional business activity, therefore, the rise in the yield on Consols was not appropriate in amount to the rise in the return on bills. It would appear that, for reasons which are discussed later, the market pressed the capital value of Consols somewhat too low and so raised the yield somewhat too high. The result is strengthened if account is taken of the fact that in the month of November, 1907, the yield on Consols rose to 3·04 per cent.

The 1920 Boom.—As might be expected, post-war statistics show the same effect in a more marked degree.

The corresponding figures are:

				<i>Rate.</i>	<i>Yield.</i>
1918	...	...	...	3·59	4·40
1919	...	...	...	3·95	4·63
1920	...	...	...	6·39	5·32
1921	...	...	...	5·21	5·21
1922	...	...	...	2·63	4·43
Aver. of 5 years ...				<u>4·35</u>	<u>4·80</u>

These figures show that a person who invested £1,000 in Consols at the average price prevailing in 1920 would have secured a perpetual yield of £5 2s. per annum above the average yield for the five years. The present value of this additional yield at 4·8 per cent. is £100. A similar sum employed in the discount market would have earned an additional return of not more than £29 before the rate again fell to its five year average level.

It may be added that the tendency in years of extreme business activity for the yield on Consols to rise disproportionately to the rate on bills is found also in the five year periods whose centres are the boom years of 1900 and 1889-90.

The interpretation of these results needs caution. It is *not* claimed that they show the precise amount by which the profitability of investment in Consols in boom years exceeds that of investment in bills. For the purpose of that calculation it would be necessary to take into account the fact that the boom years of 1889-90 were situated in a period in which the capital value of Consols was persistently rising, while the boom years 1900 and 1907 were situated in periods in which that capital value was persistently falling; and allowance for this fact would modify the arithmetical estimate of the superior profitability of investment in Consols during periods of boom. It *is* claimed for the results that they isolate the effect of increased business activity on the relative levels of the Yield and Rate and show that in each of the four years of boom, investment in Consols was in some degree more profitable than investment in bills. What, then, is the explanation of the failure of the market to maintain the Yield and the Rate at levels of similar profitability?

It is a matter of common sense and common knowledge that in times of high activity, when there are exceptional opportunities for the profitable employment of capital in industry, business men, in order to take advantage of these opportunities, take their money "out of store"; in other words, they sell their investments and by so doing depress the capital value of Consols and other gilt-edged securities. This action in itself need cause no discrepancy between long and short rates, for the increased profitability of business which indirectly raises the yield on Consols is certain to increase the volume of commercial bills and so to raise also the discount rate. But it seems likely that the high expectation of profit in business, which indirectly depresses the capital value of gilt-edged securities, will make holders of those securities apprehensive of a further fall and so cause yet further selling. And that this further selling will continue until the prospective profitability of investment in Consols exceeds that of investment in bills by an amount which compensates the investor for the possibility of a further fall in their capital value.

If this is the right explanation of the discrepancy in boom years between the relative profitability of investment in Consols and bills, one would expect a symmetrical opposite effect in times of depression. One would expect that in times of low business activity, a gloomy view of the prospective profitability of capital employed in trade and industry would cause business funds to be pressed unduly far in the purchase of gilt-edged securities; that the yield on such securities would be forced, not necessarily below the level of bill rates, but below the level corresponding to the

reduced profitableness of investment in bills, and hence that investment in gilt-edged securities would become less profitable than bills, the difference being a measure of the expectation of a further increase in their capital value.

It may be that this is true. But if figures are taken which isolate the influence on the relative levels of Yield and Rate arising from conditions of trade depression, the answer which they give is uncertain. There seems to be no such firm basis of facts for concluding that the yield on Consols is forced unduly low in times of depression as there is for concluding that the yield is forced unduly high by periods of boom. Indeed, if the figures for the present depression are examined, they appear at first sight to show a precisely opposite condition of affairs.

THE PRESENT YIELD ON CONSOLS AND BILLS.

Consider the following table showing the relative Yield and Rate since 1917 :

ANNUAL AVERAGES.							
		<i>Yield.</i>	<i>Rate.</i>			<i>Yield.</i>	<i>Rate.</i>
1917	...	4·58	4·81	1921	...	5·21	5·21
1918	...	4·40	3·59	1922	...	4·43	2·63
1919	...	4·63	3·95	1923 (10 mos.)		4·29	2·68
1920	...	5·32	6·39				

The figures are remarkable—the more so when it is remembered that the yield on Consols is very low in comparison with the yield on other long-dated gilt-edged stocks. They suggest that the long persisting tendency for the Yield and Rate to conform to the same level has suddenly weakened in a notable degree. Possibly since 1918, certainly since 1922, the yield on Consols has been maintained at a level far above the corresponding rate on bills. During 1922 and the first ten months of 1923 investment in Consols has yielded a return of more than $1\frac{1}{2}$ per cent. per annum above that obtainable in the discount market. And this marked and persistent change in the relative profitableness of the two forms of investment has occurred in spite of the circumstance that demand in the short loan market has been greatly strengthened by immense quantities of Treasury bills. What explanation can be given of this change?

It is known that after the boom of 1920 a good deal of capital usually employed in *commerce*, failing to find profitable employment in its ordinary uses, was diverted into the market for loans. If, as seems also to be the fact, the owners of this capital believed in a rapid trade recovery, they would have anticipated not a further rise, but rather an early fall in the capital value of Consols and would consequently have preferred to employ their funds in uses such as bills where the capital would be secure, although the rate of return might be unduly low. This distaste for long-dated stocks would naturally be reflected in the relative levels of rates.

The effect of such a temporary diversion of funds may be a partial explanation of the recent change in the relative profitability of investment in Consols and bills, but it seems probable that the full explanation depends on a permanent change in the relative eligibility to bankers and others of the two forms of investment. Possible causes of such a change are not difficult to find. The continuous decline in the capital value of Consols and other gilt-edged securities from 1896 to 1914 and the violent fluctuations in their capital values since that date can hardly have failed to shake the confidence of financiers in their eligibility as a secure short-period investment. The effect of this increased uncertainty in their capital values has been reinforced by the recent creation of a large supply of short-dated securities, equally marketable, relatively more stable in capital value and hence more suitable than Consols for the investment of funds temporarily unemployed. This two-fold change in market conditions, the more unstable capital value of Consols and the new competition of securities whose capital value is steadied by the promise of early redemption, seems sufficient to explain the relatively very high current yield on Consols as compared with bills. It does not suggest that the intimate connection between *movements* in the Rate and Yield which existed for at least sixty years up to the end of the war is now broken. But it does imply that the tendency to *equality* in Rate and Yield is now markedly and perhaps permanently impaired.

CONCLUSION.

In order to bring the relations between short and long rates into a rough unity it may be convenient to summarize the various facts, inferences and suggestions which have been detailed.

The argument suggests that the relative levels and the relative movements of short and long rates would show no clear connection, but would be governed mainly by arbitrary and incalculable influences, were it not for the development of such organizations as the Stock Exchange and the Bill Market, whose effect is to impart to investments in the "long" market most of the peculiar advantages attaching to the loan of capital in employments from which it is readily recoverable. That it is only in consequence of the presence of those organizations that there is sufficient mobility of funds between the long and short markets to bring the levels and the movements of their rates into calculable conformity.

It shows that for many decades up to the end of the war the yield on Consols and the three-months bill rate, when averaged over periods of a few years, were substantially identical. This strong tendency towards conformity was impaired in years of great business activity by influences which forced the yield above its appropriate level. In recent years it has given way as a result of special circumstances due to war.

It shows, further, that changes in the Yield and the Rate were

intimately connected ; that up to 1923 it almost invariably occurred that each change in the annual average rate was accompanied by a change in the yield, whose effect was to bring the two into closer agreement with each other. But this connection between movements in bill rates and movements in the yield of securities in general was often not susceptible of exposure by ordinary graphical methods. An adaptation of a method employed by Mr. Williams was necessary for the purpose.

It shows, again, that a similar close connection exists between movements in the average annual level of, e.g., the yield on a group of American railway bonds and of a New York discount rate ; and accordingly bears out the natural expectation that the connection holds good for all sound securities, though it may be partially concealed in the case of individual stocks by disturbances of yield arising from changes in their particular circumstances.

The argument has dealt only with the relative levels and relative movements over periods of a few years of two sets of rates roughly distinguished as short and long. It has said nothing of the causes promoting these movements. But little doubt remains of the nature of the principal cause when one further connection is made : when movements in prices are attached to movements in discount rates and through them to movements, each in its own degree, of the whole set of associated rates and yields. It is well known and easily proved that during the past sixty years upward and downward movements in the annual average level of general prices have been intimately associated with corresponding upward and downward changes in the discount rate. It is equally well known that rising prices increase the profits of business, expand the demand for capital and so raise short and long rates alike ; similarly, that falling prices, by reducing the profits of business, set in motion an opposite train of effects. So far, therefore, as we are concerned with those fluctuations in rates and yields which are completed within periods of a few years, the moving cause is evidently to be found, not in changes in the supply of capital, but principally in those changes in the profitability of business which govern the volume of its demand.

The figures used have been obtained from the following sources : *The Statistical Abstract*, *The London and Cambridge Economic Service*, *The Economist*, documents of the U.S.A. Nat. Monetary Commission, the Bank of England, Mitchell's *Business Cycles*, articles by Mr. Williams and Mr. Macdonald in *The Statistical Journal* for March, 1912, and by Mr. Spring Rice in *The Bankers' Magazine* for March, 1923.

The Development of British Imperialism¹

By KINGSLEY MARTIN.

I

Two books have lately been published which add considerably to our knowledge of the development of British public opinion in regard to foreign and colonial affairs in the nineteenth century. The first shows how menacing each advance of public interest in foreign policy seemed to a diarist who hated all democratic movements. Palmerston is displayed as the man who, more than any other, was responsible for the awakening of the British public to European issues. The second book deals specifically with the later development of public opinion. It traces the stages by which an enthusiasm for Palmerstonian interference, coupled with an indifference to colonial and imperial affairs, changed to the modern imperialistic attitude which is, for the most part, concerned with the affairs of Europe only in so far as they affect the interests of the Empire.

During the first half of Queen Victoria's reign there were three main groups of opinion about the foreign policy of England. To the Manchester School a policy of universal benevolence, coupled with strict diplomatic isolation, seemed the necessary corollary to one of peace and free trade. After the repeal of the Corn Laws, Bright and Cobden hoped to establish a Peace Society which should deal with the Militarists as successfully as the League had done with the Protectionists. In this they were prevented by what Cobden called the "innate bellicose spirit of Englishmen," to which the "sporting" policy of Palmerston made an immediate appeal altogether lacking in Manchester trade statistics. It seems, indeed, that Englishmen are ready for a war about once in a generation, and that if the appeal made to them is on idealistic grounds, it matters little who is the enemy. As the event turned out, England did not fight against the France of Guizot, nor against Napoleon III (though war between France and England constantly seemed imminent during the forties and early fifties), nor against Austria or Russia when they were crushing the revolutionary movement in Europe in 1849: but England did actually go to war in the Crimea, partly in the belief that her trade interests in the East were threatened, but largely with the idea that she was fighting for the liberty of such small nations as Turkey, Hungary and Poland. It seems

¹ *Letters of Charles Greville and Henry Reeve*. Edited by A. H. Johnson. (Fisher Unwin, 21s.) *Studies in Mid-Victorian Imperialism*. By C. A. Bodelsen. (Constable, 10s. 6d.)

probable that Mr. Trevelyan is right in thinking that if England had not fought Russia in 1854 she would have fought the United States of America in 1862. Throughout all this period Palmerston was the dominant force: he could always appeal to national generosity and leave his opponents to extricate themselves as best they could from the old dilemma of Liberalism—that to leave tyrants alone may be economically wise, and perhaps in the long run best for their victims, but that it nevertheless seems callous, unchivalrous and mean. Bright, indeed, always found himself in the difficulty of the religious pacifist: if Christianity involves non-resistance, it is impossible to be both a Christian and a good Samaritan—unless, indeed, it is too late to be either and the brigands have already gone away leaving their victim for dead.

Finally, there was the third party, which disliked the bourgeois nature of Cobden's economic pacifism, but which even more detested and feared the blustering interference and demagogic appeal of Palmerston's policy. Nowhere can this view be found so interestingly expressed as in the diaries of Charles Greville, now supplemented by the publication of his correspondence with Henry Reeve. The value of this correspondence is greatly increased by the editing of Mr. A. H. Johnson, whose short footnotes explain numerous references to forgotten persons and events in a manner which involves great learning without ever parading it.

Greville's political sympathies were commonly with the Peelites and his political interest chiefly in foreign affairs. His views were of most importance during the period in which his friend, Henry Reeve, was the chief leader-writer on *The Times*. Indeed, until the failure of *The Times* to avert the Crimean war and the consequent conversion of Delane to Palmerston's side, its moderate and pacific conservatism was to a large extent due to the influence of Greville and Reeve. Greville presents an interesting example of an aristocratic society man who admits that he spent too large a proportion of his time losing more money than he could afford in horse-racing, and who evinced neither sympathy with working-class movements nor knowledge of economic conditions, but who yet laboured with disinterested enthusiasm for peace, and seems quite astonishingly often to have been on the side of reason and common sense. He was wise enough in 1846 to see that free trade would not settle the Irish problem and to prophesy disaster there if foresight did not find a more radical remedy. He was a strong supporter of Sir James Kay Shuttleworth's efforts for popular education, and we find him writing in severe terms about the supercilious attitude of *The Times*, which always, in spite of his efforts, kept a "corner for high Church, bigotry and intolerance." Greville, indeed, never showed any liking for the Church, and complains that "it is most extraordinary that through life religious people have always had a hankering after my soul, and one or other, women especially, have always been nibbling at me."

For the most part Greville and Reeve are concerned to keep England's relations with foreign powers harmonious. This involved a constant struggle with Palmerston. They had no democratic sympathies themselves, but in any case were fully aware that Palmerston did not really do anything to help the struggling patriots of Europe. For the most part he merely encouraged them to hopeless rebellion, left them to their fate and gained prestige at home for a generous policy. The worst case of all was that of Hungary, for which Palmerston expressed the deepest sympathy and then refused even the diplomatic support which, at one crisis of the revolution, might have been sufficient to save it from Russian invasion. "As to Kossuth," writes Greville on his arrival in England, "we are great hero worshippers, and there is something romantic and imposing in the Hungarian war, which was pretty sure to take in people so profoundly ignorant as the British public. . . . However, like all other things of this kind, the fever soon subsides, and Kossuth a week after his departure will be forgotten."

Year after year we find Greville and Reeve fighting their battle with Palmerston, and year after year there are increasing signs that *The Times*, through which they worked, could not alone stem the tide of democracy. Greville's letters give us many hints of the ways in which the policy of *The Times* was formed. Greville, indeed, frequently hears from a friend in the Cabinet some, at least, of what has passed at its last meeting; he writes to Reeve, who, either in France or England, constructs his articles in the light of this inside knowledge. Sometimes, however, this inside knowledge is deceptive, and in Greville's delightful account of the Ministerial crisis of 1845 we find that a Cabinet Minister burst into his room in a great state of excitement and, after questioning him about the situation, "flung" out of the room with the words: "I'll tell you what! *The Times* has been completely mystified, and neither you nor Reeve know anything whatever of what is going on."

Sometimes Greville took the initiative. In the absence of Delane we find him writing to Reeve that he "sent for Dasent" (who was acting as editor of *The Times*) and advised him as to the correct attitude to take up, but was doubtful if his advice would be carried out, if only because Dasent seemed a "puny and inadequate representative of the thundering journal." And if *The Times* was intractable, the rest of the Press seemed to Greville simply malign. "This mighty engine of mischief," he calls it in a letter to Reeve, who found things no better in France. "If war does break out," Reeve wrote, "it will be because the cursed democratic element, represented by the Press, forces the hands of the Ministers and overrules their deliberations. The Ministers are the most pacific men in France . . . they do not rule the papers, but the papers them." Time after time the European war which Greville and Reeve dreaded, seemed imminent and was almost miraculously averted. Was this Palmerston's uncanny good luck or had he really superior

knowledge? asks Greville. At any rate, he is "convinced that such hazards should not be incurred for the sake of such results." The worst part of it all to Greville was that every such occasion further encouraged the populace to think foreign affairs their province and gave new opportunities to those who gained popularity by exploiting their ignorance. "We derive many benefits from our Constitution," he writes, "but one of the evils we are obliged to suffer is the necessity of adapting our policy to the prejudices of public opinion when they are at variance with reason, justice and expediency." A year before the war he wrote that, "the prospect of extending still further the influences and power of such a democracy fills me with dread and disgust. We shall go on enfranchising and disfranchising and prating about the good sense of the people, till some fine day we find ourselves on the verge of some awful political catastrophe, without any power to stop it." This catastrophe came in 1854, when Palmerston failed to avert the war which he and the Press had done much to provoke. *The Times* itself gave way before the tide of romantic sentiment, and Reeve resigned to advocate his old-fashioned views in the *Edinburgh Review*. To Greville this was the end of the fight, not only for the time, but for ever. For to him ignorance and emotionalism seemed the necessary attributes of democracy, and it was clear that government by the well-informed inner group which he represented was over.

II

Palmerston had roused the British public to a vivid interest in foreign affairs. He had reminded Englishmen that all foreigners were their natural enemies, and persuaded them that his view of the international situation was the true one by representing it to them in a way they could understand. He did for foreign policy what Bagehot claims that the monarchy does for the Constitution—he made it "intelligible." This new interest, however, had nothing to do with the Empire. In the agitation which preceded the Crimean War there is scarcely a reference to India. But Palmerstonian policy involved many ingredients of imperialism, especially the view of England as the protector of the weak. If it was our business forcibly to restrain Russia both from encroaching on our power in the East and also from extending her tyrannical rule over small nationalities, it was presumably also our business to look after the nations to whose rescue we had come and to get for ourselves whatever value we could as compensation for our assistance. It was this blend of motives which has led to the charge of hypocrisy, so widely levelled at the English abroad. But a study of English Cabinets and English public opinion shows that British Imperialism is the result not of a conscious intention on the part of a large section of the people, but of the almost accidental interaction of a number of apparently hostile groups. It is seldom the same people

who explore the country, distribute the tracts, build the railways, kill the inhabitants, and finally annex their territory.

Palmerston's England was certainly not imperialistic. In 1857, it is true, after being defeated in the Commons, Palmerston won an overwhelming victory for his Chinese policy in the country. But the victory was a plebiscite in favour of Palmerston—the man who won the war—and not a vote for any extension of the British Empire. On the contrary, Mr. Bodelsen, in his careful and learned *Studies in Mid-Victorian Imperialism*, is able to show that, with the exception of one very small group of thinkers, English people, up to 1870, at least, were not only opposed to any extension of the Empire, but were also strongly in favour of emancipating the colonies we already possessed. India, it is true, was always considered a separate problem, and it was assumed that it must remain in English hands, but for the rest, all parties agreed in regarding the Empire as a temporary phenomenon and our colonies as children who were now reaching maturity, and who would, of course, shortly wish to set up housekeeping for themselves. The example of the United States was accepted as conclusive. Perhaps the strongest proof of the dominance of the Manchester School with regard to the colonies lies in the fact that the three Permanent Under-Secretaries for the Colonies, whose successive reigns cover the period from 1836 to 1871, all expressed "separatist" views. Sir James Stephen went so far as to state in his diary, shortly before his retirement in 1846, that the recent appointment of a Governor-General for Canada was "not unlikely to be the last that will ever be made." Merivale, who followed him, was opposed to the extreme views of Goldwin Smith, but took for granted the ultimate separation of the colonies; while Lord Blachford, who next held office, admitted that as late as 1871 he himself "could hardly realise the possibility of anyone seriously thinking the contrary" of his view that the "function of the Colonial Office is to secure that our connection [with the colonies], while it lasts, shall be as profitable to both parties, and our separation, when it comes, as amicable as possible. This opinion," he adds, "is founded first on the general principle that a spirited nation (and a colony becomes a nation) will not submit to be governed in its internal affairs by a distant Government, and that nations geographically remote have no such common interests as will bind them permanently together in foreign policy, with all its details and mutations."

Lord Blachford's view was the usual one. There was, it is true, a small group of "colonial reformers" who opposed "separation." We may trace their influence directly from Gibbon Wakefield to Carlyle and Froude and find allied with them a handful of statesmen, like Lord Elgin, Lord John Russell, Lord Grey and Lord Carnarvon, who continued to believe in the unity of the Empire even during the period when the Manchester School seemed most triumphant. The colonial reformers based their faith partly on a

natural conservatism which found expression in Carlyle's eulogy of the "strong man," partly on their desire to relieve the industrial misery at home by emigration to the colonies, but most of all on the same kind of argument which Palmerston had always found so effective. What, Palmerston had asked, has money to do with British foreign policy? It was a problem of morals, of the prestige and honour of England, not of balance sheets. And so we find Carlyle, in exactly the same vein, substituting sentiment for economics. "An instinct deeper than the Gospel of M'Croudy teaches all men that colonies are worth something to a country! . . . M'Croudy finds the present management of them costs money. The present management will indeed require to be cut away; but as for the colonies, we purpose, through Heaven's blessing, to retain them a while yet! Shame on us for unworthy sons of brave fathers if we do not. . . . [The colonies] are portions of the general Earth, where the children of Britain now dwell; where the Gods have so far sanctioned their endeavour as to say that they have a right to dwell. England will not readily admit that her own children are worth nothing but to be flung out of doors!"

But Carlyle failed where Palmerston succeeded. He did not make the Empire "intelligible," as Palmerston had the Eastern Question. The colonies remained dull, unromantic, unfashionable, and generally a nuisance, and Cabinet Ministers were accustomed to apologise if they thought it necessary to bring colonial affairs before the House. In 1863 Goldwin Smith published his letters on "The Empire," and though he advocated its speedy, almost its forcible dissolution, he met with little opposition. His argument was brilliantly expressed and is easy to summarise. He argued that the colonies were not a source of strength to England, but of weakness, that military help from them was out of the question, and that they were, on the contrary, likely to lead us into wars of their own, as well as to prove an unnecessary expense. Canada, especially, he thought should be kindly but firmly removed from her connection with England before we were involved in a war with the United States on her account. In any case Goldwin Smith considered it an absurdity that England should be involved in a large annual outlay in protecting countries which brought her no return in taxes and whose Government was of necessity really independent. The argument that England could gain by a trade monopoly with her colonies he regarded as a mere relic of mercantilism: free trade, he imagined, would soon be universal, in which case it made no difference whether the colonies belonged to England, or themselves, or another country. Moreover, even if this happy state of things were delayed and the colonies were foolish enough to impose tariffs, it seemed unreasonable to expect that they would treat England in a preferential manner. Finally, he laughed at the argument that the colonies would be valuable as an outlet for our surplus population, and pointed out that British

subjects emigrated to the United States as freely as to the colonies, and thought they would always emigrate to any country which offered openings, quite irrespective of its nominal ownership by any European power.

Goldwin Smith's views were only considered eccentric in one particular. There was scarcely a reviewer who disputed his assumption that the Empire would dissolve before long: some, however, regarded it as somewhat ungenerous for England to initiate the dissolution. Children, no doubt, would leave home sometime, it was argued, but it was not for the parents to turn them out of doors because they did not pay for their board. How completely dominant was this attitude we may see from the reception of Dilke's *Greater Britain*, which was not published until 1869. Dilke to-day is remembered as the Imperialist of 1890 who, ashamed of his former views, published *Problems of Greater Britain* in order to correct his previous error and expound his new imperialistic doctrine. In 1869 Dilke differed from the Manchester School in one direction: he was an ardent believer in the supremacy of British culture and advocated an alliance between all the British-speaking peoples. Such an alliance, however, he thought would come more easily if the colonies ceased to be dependent upon England and if Canada, in particular, joined the United States. His views were criticised by the *Pall Mall* as excessively nationalistic, and *The Times*, in a four-column review, expressed its entire concurrence with regard to Canada.

Mr. Bodelsen argues convincingly that it was just at the time when *Greater Britain* was published that the reaction against "separation" began. He might have noticed a suggestive parallel. Just as in 1853, when the pacificism of Aberdeen's Cabinet served to bring out the latent opposition to the Manchester view of foreign affairs, so in 1868, when Gladstone's ministry was suspected of being about to carry out a separatist policy with regard to the colonies, the opposition to a disruption of the Empire, hitherto almost unexpressed, gathered itself together to oppose it. The occasion which led to the gathering of the Imperialistic forces was the refusal of Lord Granville to support the New Zealand colonists in their efforts to suppress the rising of the Maori population, whose country they had occupied. The policy of evacuating New Zealand had already been pursued by the Tory Government which had preceded that of Mr. Gladstone, but the inclusion of John Bright in the new Cabinet, the severity of Lord Granville's repudiation of the colonists, and the known opinions of the Prime Minister himself, led to the belief that a policy of active separation was to be inaugurated.

At first the organised opposition seemed unimportant. The Royal Colonial Institute, founded in 1868, was at first social and scientific rather than political. Indeed, Lord Granville himself was one of its vice-presidents. It shortly, however, developed strong

corporate views and through Froude, Sir George Grey, and its first important Liberal convert, W. G. Forster, opened a campaign in favour of imperial unity. In 1871 the mere opposition to the separation of the Liberal Government gave way to a more active policy of Federation, and Mr. Bodelsen gives an interesting account of the numerous schemes put forward in the seventies for turning the British Empire into a single Federation.

It was at this moment that Disraeli intervened. The particular significance of his intervention has not always been understood, and is not fully appreciated even by Mr. Bodelsen. He seems to have had no particular love for the colonies, and though his famous outburst about the "wretched colonies" being a "millstone round our necks" may have only represented a passing mood, there can be no doubt that he had hitherto held the conventional view as to the coming dissolution of the Empire. But in 1872 he saw that the imperial movement might be made into an asset to the Conservative party. The first thing to do was to popularise the colonial question. Next he must make the Empire intelligible and even, if possible, romantic. Finally, he must convince the public that Conservatism and Imperialism were one. Now no one, not even Disraeli himself, could make the white colonies romantic in 1872. They still remain obstinately unromantic to most people to-day, in spite of all the resources of modern propaganda. And Disraeli had no cinema and knew nothing of cowboys. He, therefore, determined to present the whole problem of the Empire as one simple issue, intelligible to every voter. In the Crystal Palace speech of 1872 he blended into one vast imperial whole the problem of the white dominions, the problem of Ireland, the problem of the West Indies, the problem of New Zealand, the problem of the Near East, the problem of India, and, finally, by a stroke of genius, the problem of the Queen's relationship with her subjects. Henceforward it was impossible to induce anyone to think clearly and coolly about any of these issues. It became impossible to hint at the necessity of Home Rule in Ireland without being at once supposed to desire the evacuation of India; it became impossible to discuss the British status in Egypt without being suspected of disloyalty to the Queen.¹ To turn an intelligent imperial movement into a popular Jingoism was the first great result of Disraeli's political genius. The second was to re-make the Conservative party. The successful gathering of Imperialism to its standard was the more remarkable because, as Mr. Bodelsen has pointed out, Conservatives had been as indifferent to imperial unity before 1871 as Liberals themselves. Active "separatists," it is true, were

¹ M. Bodelsen quotes (p. 129) a pamphlet written in 1876 by one of the early imperialists, who found the new brand of imperialism as distasteful as did Mr. Gladstone. "The Royal Titles Bill" was here satirised under the heading, "The blot on the Queen's Head, or how little Ben, the Head Waiter, changed the sign of the Queen's Inn to the Empress Hotel Ltd."

commonly Liberals, but Conservatives were not imperialists. On the contrary, the early imperialists were, many of them, Liberals, and hitherto the question had not been a party one. Another result of Disraeli's work was to kill "separation." During the fight that raged from 1874 to 1885 over the Near East, over South Africa, over Egypt, and over Ireland, the view commonly held by both Liberals and Tories only a few years before disappeared from party politics. Disraeli's victory, like that of Palmerston, led to the conversion of his enemies : Mr. Gladstone and *The Times* having twenty-four years before capitulated on the question of England's relationship with foreign powers, now, at least in part, capitulated also on the Imperial issue. The truth was that Mr. Gladstone had thought out no alternative policy : he could, therefore, make speeches, could "dig his heels in," but at length usually gave way. He remained faithful, even if confused, in South Africa ; faithful, until overborne, in Egypt ; and faithful, even at the price of the destruction of his party, over Ireland. But he had been carried along some distance on the popular current, even by 1881, when he "deprecated the idea that any body of men were insensible to the glory and responsibilities of the colonial Empire," and declared that "the business of founding and cherishing those colonies is one which had so distinctly been entrusted by Providence to the care of the people of this country, that we should almost as soon think of renouncing the very name of Englishman as of renouncing the very great duties . . . imposed on us with regard to the more distant, but not less dear, portions of this great British Empire." Here, if we omit "Providence" and substitute the "Queen," the statement might have been made by Mr. Disraeli himself. It was, indeed, characteristic of Mr. Gladstone that, when necessary, he could conscientiously adopt the thunder of his opponents, sincerely believe himself when he denied ever having held any other view, and attribute his conviction to the clear guidance of Providence.

III

In attempting to understand the extraordinarily complex movements of popular sentiment in the nineteenth century, the first step is to follow the actual manifestations of changing opinion in current literature, public speeches, private letters, newspapers and periodicals. Mr. Bodelsen has, for the most part, confined himself to this first step. He has told us what changes came to pass : he has not attempted the more difficult tasks of relating these changes to the general development of modern society or of discovering the actual mechanism by which these changes were effected. People do not hold views because they are reasonable or even because they are unreasonable. Certain sets of views appeal to them at certain times for reasons which are partly economic and partly psychological. If my view is correct, for example, Palmerston's extraordinary success in 1853 was due not only to his personal hold on

the popular imagination, nor merely to the general readiness for a war after a generation of peace, but also to a particular set of circumstances which gave rise to a false image in the minds of men, who thought they saw in 1853 a recurrence of circumstances which had occurred in 1849. As a result of this accidental resemblance, the Tsar became the incarnation of evil, while our former enemies, the Sultan and Napoleon III, became heroic defenders of truth and justice. Thus the causes of the war enthusiasm of 1853-4 were mainly psychological, not economic. The war was largely a Press-made war, but the Press was controlled by politicians, not by capitalists. No doubt a small section of the community thought they would gain by war, and some had interests in our Eastern European trade, but, on the whole, it is probable that this demand for a crusade against Russia on behalf of Turkey and other small nations was as pure an example of idealism as any that could be found in history. Now if we attempt to find the underlying causes of the rise of a similar kind of sentiment, this time in support of Imperial wars, the situation is wholly different. Beneath the Imperial sentiment it is always possible to find the influence of the capitalist adventurer, the overseas investor, and, later, the capitalist newspaper. It was not the Colonial Institute, nor Disraeli, nor Froude, nor Seeley, who were responsible for the change: the ultimate facts were the increase in European population and the need of new markets and new sources of raw material.

The general nature of the relationship between the economic and psychological changes is clear. It is easy to understand that British manufacturers and merchants, whose virtual monopoly of the raw materials and markets of the world was challenged by the rising competition of America, Germany and Japan, were likely to favour the consolidation and extension of the British Empire. They naturally desired to "open up" uncivilised Africa and found conditions in every way more favourable where political control was combined with economic. They also hoped to find rich markets in the colonies where they anticipated what proved to be an unrealisable increase in population. They were disappointed by the discovery that the nations who now competed with England did not follow her example in adopting free trade. For them clearly Imperialism meant freedom for the investment of superfluous energy and capital and the consequent achievement of greater wealth and power. Nor is it difficult to see that as our population increased at home, the colonies became more attractive as fields for emigration—attractive, at least, to philanthropists, if not always to the unemployed; nor is there anything surprising in the revival of federal schemes now that communications were more easy and colonial friendship (and even representation in the House of Commons) seemed more possible. Then, too, we are still on safe ground in attributing much to the glamour of outstripping other nations in the race for new territory and to the excitement,

as well as profit, in owning shares in the great commercial enterprises which were everywhere opening up new vistas to the investor in the eighties. Finally, it is clear that mingled with other good and bad reasons for Imperialism, was that vulgar and easily-created sentiment which enjoys a thing merely because it is big, showy and costs someone or other a lot of money.

This background has often been sketched, but the mechanism by which imperial sentiment gained its hold on public opinion is still unknown. We still know very little about the actual relationship between statesmen, civil servants, capitalists, shareholders, publicists, journalists and preachers during the period in which this change of sentiment occurred. Neither has there as yet been any detailed attempt to trace the important cross-currents of opinion which have mingled with the main stream of Imperialism. We may accept the view that economic forces were mainly responsible for making Imperialism attractive to those very classes of people who had supported the pacificism and separatism of Bright and Cobden only a generation earlier, but we have still to discover just how it happened that metaphysics and theology, ethics and psychology, history and political economy, biology and even astronomy were all found to offer justification for the new doctrines.

Those who needed idealistic and scientific reasons for their very natural support of enterprises which enabled them to provide gilt-edged securities for their children's well-being, were thus able to find them from many different sources. Many lines of investigation, therefore, must be followed before the story can be told in full. Several of these suggest themselves at once. In the first place it will be necessary to investigate the psychological effects of the political collapse of Liberalism in Europe. Such an inquiry will involve especially an examination of the results of the manifest failure of the Gladstone administration to give reality to the vague appeal to liberty which had characterised the Midlothian campaign, and an account of the general reaction, manifested both in Fabian Socialism at home and in the more thoughtful side of Imperialism abroad, towards a policy which should aim at "order" even, when necessary, at the expense of other people's liberty. It will, perhaps, be found that one of the strongest forces in this direction was the spectacular success of Bismarck, who, by throwing off the rationalisations of European diplomacy, brought, as Mr. Trevelyan says, a "harsher air" into international relations, and popularised the thesis that it was always best to get what you wanted when you could, and wise only to pay attention to moral issues when there was a chance of anyone believing in your sincerity. It will be interesting to ask how far this doctrine was accepted among Empire-builders and how far morality became an article reserved for home consumption. A second line of inquiry would reveal a closely-related tendency of thought springing from the popular misapplication of Darwinism, which, in some mysterious way, was held to prove

that the fittest would only survive if the white man undertook the burden of the black man's resources. More interesting still will be to investigate how the new working-class public, as it learnt to read but not to criticise, and the new Suburbia, which Professor Hobhouse has noted as one of the potent forces in modern political development, were taught by the capitalist Press of the late nineties to find in Imperialism some of that colour and romance for which they craved and which the conditions of modern industrial life did so little to satisfy. These investigations would, no doubt, reveal that many other lines of research were necessary before the history of Imperial sentiment could be written, but they would at least help to explain the careers of such various types of men as W. T. Stead, Cecil Rhodes, Mr. Chamberlain and Lord Northcliffe, and would, perhaps, do something towards elucidating the complex relationship that exists between economic and psychological forces in history.

Currency Reform in Poland

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I

"IN France and Germany no attempt was made in the early years of the war to meet any part of its cost by taxation. . . . So it was that our Chancellors of the Exchequer had such examples set them both by friend and foe that whatever they did in the way of war taxation they were able to ascribe to any excess of virtue which made their war finance to that extent sounder than that of Germany or France. Judged by this standard of failure, their achievement shone like 'a good deed in a naughty world' . . . Judged by what might have been, what ought to have been, and what was actually done in the course of Napoleonic and Crimean wars, when nearly half of the cost of the war was met by taxation, it was not a great performance."—MR. HARTLEY WITHERS, *Bankers and Credit*, London, 1924, pp. 50-51.

The English methods of covering war expenses, however imperfect, infinitely surpassed those methods of financing war, above all by the issue of paper money, which were practised by all the belligerent powers on the Continent, and particularly by those three to whom the territories of Poland belonged.

The new Polish State which arose in 1918 was composed of lands that had formed part of Germany, Russia and Austria. All these States had conducted, during the whole course of the war, a financial policy which was pre-eminently one of inflation. Poland inherited their methods. When there are huge expenses to be met, States labouring under difficult conditions rarely choose the thorny path of virtue. They usually follow the line of least resistance, and this consists, in the given instance, in excessive issues of paper money.

Those who governed Poland during the first years of regained independence showed themselves successful warriors and diplomatists, who did not allow an unusually favourable international opportunity to be wasted for their country. Their whole energy and ingenuity, however, being employed to win these strategic and diplomatic successes, none was left to solve the difficult financial problems with equal success. The balancing of the budget without recourse to the printing press was made impossible by the constant Ministerial changes, these in their turn being caused by the failure to build up a firm majority in Parliament. The national representation, broken up into a large number of warring parties, could not

produce a compact and permanent majority. The Ministers were dependent on an assembly which could not secure solid and constant support for the Government, and they were accordingly unable to act with the resolution and consistency required to put a stop to the financial abuses of war-time.

This unfavourable state of political affairs led to constant increase of paper money in circulation. It was issued principally to cover the deficits of the budget, and in a lesser degree for the purpose of credits to industrial undertakings, or for the purchase of gold and foreign currencies. The new Polish Government took over from the German occupants the *P.K.K.P.*, or *Polish State Loan Bank*, which had been founded by them in 1916. This Bank, being State-owned and subject to the Ministry of Finance, gave loans to the State and conducted the financial operations which have just been mentioned. It issued Bank notes of which the face value was expressed in *Polish Marks*; this new monetary unit was established by the Germans and declared equal to the German Mark. Now Germany, before the war, had struck from 1 kilogramme of pure gold 2,790 German Marks. Accordingly, 2,790 paper Marks were equal to a promissory note on 1 kilogramme of pure gold. Of course, the Polish Mark never really was exchangeable against either gold in this or in any other relation.

In round figures the number of Polish Marks in circulation was the following :

1919	November	...	...	...	880 millions.
1919	December	...	...	...	6,300 „
1920	December	...	...	...	50,000 „
1921	December	...	...	...	230,000 „
1922	December	...	...	...	793,000 „
1923	December	...	...	...	125,000,000 „

The excessive issue of paper money is in reality nothing else than taxation of a very partial character, affecting exclusively the owners of ready money, and creditors to whom sums of ready money are due. Exclusive taxation of one form of property as compared with others always naturally results in the transformation of the form of property so affected into other forms of property which are taxed less heavily. The flood of Marks submerged the money-lending habit. Credit became extinct, and the owners of Marks, taught by experience, were anxious to get rid of them as quickly as possible, and on any conditions. This inclination—the “flight from the Mark,” as it has been called in Germany—increased in Poland with the growing experience of losses caused by the hoarding of Marks, and the increase was so rapid that the Government could not catch up with its movement by ever new issues of paper Marks. The quickness with which the Mark circulated became vertiginous. The periods during which Marks remained in their owners’ pockets grew shorter and shorter. The prices of commodities went up at a rate

surpassing the increase in the number of Marks, and the rate of exchange of foreign currencies went up even more quickly, because owners of ready money in the shape of Marks were desirous of acquiring permanent values not necessarily in the form of merchandise, but rather in the form of some kind of cash which would be safe from continuous depreciation.

At the end of 1918 people bought and sold American dollars in Warsaw at the rate of about 10 Polish Marks to the dollar.

Five years later, purchasers of dollars paid 6,400,000 Marks for the dollar. The total value of the Polish Marks in circulation at the end of 1918 was more than 80 million dollars; two years later it was still nearly 80 million, and similarly at the end of the succeeding year. But in the course of 1922 this total value fell from 79 to 44 million dollars, and in 1923 from 44 to 20. Action produces reaction. The violent contraction of the value of Poland's paper money, expressed in terms of dollars, found expression in a corresponding rise of the rate of interest. Towards the end of 1923, lenders of stabilised foreign currencies, such as the dollar, the pound sterling, or the Swiss franc, asked for some 5 per cent. per month, while the rate in the case of loans in Polish Marks was 100 per cent. monthly. The high rate of interest and the high profits of industrial enterprise, were the magnet which attracted an influx of foreign capital into Poland during 1923. Foreign bankers and capitalists bought up the shares of Polish undertakings, and they also granted credits. Poland's balance of payments improved under this influx of foreign currencies. It became active also by virtue of the favourable condition of the trade balance. The value of Polish exports in 1922 had begun to exceed that of imports, and has not ceased to do so since. Besides, the sums of money sent by Polish emigrants from America to Poland were higher than the sums of money carried out of Poland by travellers and emigrants. The active condition of Poland's balance of payments was tantamount to an increase of the reserve of foreign currencies in the country. Why, then, did the rate of exchange of those foreign currencies still move upward? Ought not their increased supply to have produced a slump in their rate of exchange, and a rise in the exchange value of the Polish Mark? In reality, the value of the Mark was decreasing, owing to continuous new issues, and still more owing to the expectation of further inflation.

The public, taught by the melancholy experience of the preceding years, took the precaution of making allowance, in their calculations, for the probability of further deficits in the budget being met by further issues of paper money. Thus, the rate of exchange of the Polish Mark became the expression not only of the inflation already accomplished, but also of that which was to be foreseen in the near future. The demand for foreign currencies in the first eight days of January, 1924, during which the rate of the dollar jumped up from 6,400,000 to 10,000,000 Marks and even higher, was the outcome of temporary panic. It did not at all correspond to the demand calcu-

lated for longer periods, and on a sound basis of actual prices and wages. As became apparent later, this unprecedented rise in the rate of the dollar meant simply the payment of too high a premium for the avoidance of the risk incurred by keeping Polish Marks in one's pocket.

The fall of the Mark led to a result seemingly paradoxical, yet observed elsewhere as well under similar conditions, viz., to an improvement in the gold security for the Polish Mark parallel with the fall of its value. Of course, the security was becoming worse as far as the relation between the quantity of gold found in the Bank, and the face value of the paper money issued is concerned. But when the fixed quantity of gold is compared with the total value of the notes issued, as determined by their rate of exchange in relation to foreign currencies, then the security gives the appearance of having improved. Thus, at the beginning of 1924, the total value of the notes in circulation amounted, in terms of American dollars, to some 20 million only; the gold reserve of the State Loan Bank was not much less.

The fall of the Mark led to a diminution of the capital owned by the public in the form of money. This was partly counterbalanced by the influx of foreign currencies, but not totally so; witness the high rate of interest on loans, both in dollars and in Polish Marks.

A clear perception of these developments is as necessary as a firm grasp of the fact that the security in gold and high-priced foreign currencies for the mass of paper money in circulation was becoming relatively favourable. Both things taken together furnish the key to the understanding of that stabilisation of the Mark which took place in the second half of January, 1924.

The comparative abundance of American dollars, and to a lesser degree, of pounds sterling and Swiss francs in Poland, was a circumstance by which the State did not profit until 1924, because it was collecting its taxes in Polish Marks. The contraction of the total value of paper money led to a diminution of the revenue from taxation, as expressed in dollars. At first, the successive issues of paper money made it possible to acquire a considerable reserve of real economic values for purposes of the State. But in proportion as the issue of Marks increased, real revenue from that source dwindled. This had at least the advantage that governing circles began to understand the need of abandoning this method of financing State expenditure, and to look for more productive sources of revenue. The Polish Parliament was not slack in imposing new taxes and raising the old ones, but at first the result of such resolution was insignificant. Several causes combined to make it so. The apparatus for collecting taxes was functioning, but indifferently. The organisation of tax-collecting offices had been thrown out of gear by the war. The number of tax-collectors in former Russian Poland, that is to say, more than two-thirds of the area of the new Poland!—was very small, because the old Russian Government had been content with

the large revenue derived from the spirit monopoly, and had collected almost no indirect taxes whatever besides this. Furthermore, the difference in principles of taxation and accountability between the three parts of the reunited country created no small difficulty. But the chief reason for the ill-success of the first efforts at taxation lay in the rapid depreciation of the Mark.

The Parliament voted high taxes to no purpose, since at the moment of their collection the farmer and the industrialist, in order to find the money for their payment, only needed to sell a small part of their products—so considerably had their prices risen in the meantime. Nor was this all. The money which was collected, remained for only a very short time—a few weeks—in the coffers of the financial administration. When the State expended it in salaries or in payment for goods delivered to it, the money had already lost much of its value. At the same time, the salaries of State servants were rising to fantastic figures, because they were paid on the basis of an index derived from the rapidly increasing prices of commodities. It was becoming more and more patent that as long as the depreciation of paper money would go on, there was no means to reform the finance of the State—that the accomplishment of that aim was primarily dependent on entering into an era of stabilisation, or of rise in the rate of exchange of the native currency.

II

And the miracle happened. After true orgies in depreciation of the Mark, the nation suddenly saw its currency stabilised. At the time when this is being written (in May, 1924) the rate of exchange of the Polish Mark has remained fixed for four months. In December, 1923, people in Poland, wherever they met—in coffee-houses, clubs, on their walks—were seen excitedly discussing the chances of a rise in the rate of the dollar, or the speculative value of various industrial shares; at the pigeon-holes in the banks there were continually long cues composed of people of all ranks of life, from university professors to servant girls, anxious to get rid of Marks and invest them in any securities which promised safety from loss. The papers were full of exchange news, because people hardly read anything else. The localities of the exchanges in the larger towns were crowded all day long. Banks of a purely speculative type were growing up like mushrooms, while the old Savings Banks were standing empty.

All this has changed thoroughly now. Savings-banks clerks joyfully welcome old clients whom they have not seen for a long while, and who now are depositing money again. Official and unofficial exchanges—the “white” and the “black” Bourse, as they were called—are empty in their turn. The “black” Bourse flourished as long as transactions in foreign currencies were strictly forbidden and punished by the Government. In January, it was found possible to

relax the regulations against them, and lo! they disappeared as at the touch of a magic wand. People with many millions of Marks in their pockets were quietly sitting in the cafés now, without the old feverish eagerness to get rid of their money at any price. They spoke of the weather, of the latest murder cases and divorces, of the cinema and the theatre, sometimes even of learning or literature. The dollar was no more a subject of discussion, for everybody knew its rate was the same as it was yesterday.

To what factors and events are we indebted for this change of scenery? First and foremost to be mentioned there is the small *harakiri* (strictly limited in point of time) which the Polish Parliament made up its mind to commit in December, 1923. Cabinets had been rapidly changing in Poland. The one was more representative of the parties of the Right, the other of the Left, some were combinations of both elements, but the fall of the Mark continued unabated under all of them alike.

Members of Parliament began to feel that their electors were losing confidence both in the Right and in the Left, nay, in Parliament generally. *Coups d'état* seemed to be in the air. The moment had arrived for which the ancient Romans had coined the grand words *Caveant consules, ne quid Respublica detrimenti capiat*. Parliament realised the situation, and at a proposal from the Government granted full powers to the President of the Republic, for the six months ending June 30th, to raise existing taxes and impose new ones, as well as to reduce expenditure, even if the measures necessary for the purpose were to amount to changes in the law of the land. The Government was also empowered to contract loans, and to sell or rent State property within certain (rather narrow) limits. Finally, a possibility of quick action in all these matters was secured by proper provisions. Thus the Government became possessed of something like dictatorial rights, at least in the vital matter of finance.

The nation understood in a moment that the threats of taxation which had been mere scarecrows hitherto, were now to become effective realities. The demand for Polish Marks increased, because they were needed in larger quantities to pay taxes. The rate of exchange of the dollar and other foreign currencies broke down at last in its headlong career. It became apparent that even at the beginning of January these rates of exchange had been puffed up excessively by transitional circumstances.

Another factor must be emphasised as having largely conduced to this favourable turn of events: 1923 turned out to have yielded a quite exceptional harvest to the farmers, such as they had not had for nearly half a century. This lowered prices of agricultural produce, and even brought down wages to a certain extent; accordingly, it gave strength to the falling tendency in the money market.

Finally, there was one more piece of good luck. For reasons connected with the periodical payments for the cotton, maize and

wheat crops, there are always certain seasonal fluctuations in the rate of the dollar: the fact is well known to economists that the dollar is cheaper in the early months of the year than in the autumn. The moment of the recovery of Polish currency happily fell within that cheaper period.

In June, 1923, the Polish State Loan Bank, by order of the Government, had intervened on the exchange by selling dollars in order to prevent a further rise in the rate of the dollar. At the beginning of 1923, the Bank had at its disposal a reserve of about 10 million dollars (not counting the gold). The intervention in June ended in a loss of six million dollars to the benefit of speculators gambling on a further fall of the Mark.

At the beginning of 1924, the Polish State Loan Bank had only a reserve of $2\frac{1}{2}$ million dollars. Again, it did not hesitate to throw this into the scale. But this time the result was different. Gamblers who had counted on a further fall of the Mark and bought dollars for January 31st at the rate of 12 to 15 million Marks for the dollar, now suffered heavy losses.

The lesson to be derived from these two contrasted episodes was not lost upon the Polish State Loan Bank. It stabilised the dollar at 9,300,000 Marks by means of buying, at this price, any offered quantity of dollars, at the expense of Marks printed for the purpose over and above the amount of Marks actually in circulation.

There were other alternatives open: The State Loan Bank might have lowered the rate by purchasing dollars at 8 or 9 millions. About New Year, the dollar was only at $6\frac{1}{2}$ millions. Why, then, was the high rate of 9,300,000 chosen by the Bank? The reason lay in social considerations. Stabilisation was bound to bring in its train a fall in prices, a slump in trade, and a period of unemployment. It does so always and everywhere. By stabilising the dollar at 9,300,000, and not less, the Government effectively counteracted a fall of prices, and chose a lighter if more prolonged crisis in preference to the risk of a short period of acute unemployment, involving much larger numbers of people. It had been from similar motives that the Austrian Government had acted in the autumn of 1922 in stabilising the rate of the dollar at 70,000 Kronen, although it would have been possible to bring it down to 60,000 and maintain it at that level.

During the first quarter of 1924, the dollar reserve of the State Loan Bank increased from $2\frac{1}{2}$ to nearly 20 millions. They were chiefly obtained from stock exchange gamblers who had imprudently counted on a further fall of the mark. To a lesser extent, dollars were got from subscribers to the shares of the new State Bank, or to the "Dollar Premium Loan" floated by the State about the same time.

The stabilisation of the Mark had the best effect possible on the relation between the revenue and the expenditure of the State. At the moment when taxes began to be paid in a currency no more

subject to depreciation, the revenue of the State *ipso facto* increased rapidly. The Government arrived at the conclusion that the budget could be balanced without any more new issues of paper money. Guided by this consideration, the Government proceeded to transform the State Loan Bank into a State Bank on a joint stock basis. This Bank, from May 1st onward, began to issue the new currency—of which the *zloty* (or guilder) is the unit—and to redeem the Mark, found in circulation, with the new money, taking for the basis of that operation the rate at which the Mark had stabilised. The *zloty*, as far as it will be actually coined, is to contain the same amount of gold as the gold franc of the Latin Monetary Union, that is to say, 5·18 *zloty* go to the dollar. The relation between the *zloty* and the Mark is 1 : 1,800,000. Before the war, a gold franc, the equivalent of a *zloty*, was equal to 0·81 Marks. The gulf between 0·81 and 1,800,000 is enormous indeed, but without such devaluation the difficulties accumulated by the war could never have been got over.

The rate fixed upon by the Government has certainly had a favourable effect on the relation between the paper money in circulation and the security for it in the coffers of the State. The year 1924 began on a circulation of 125 trillion Polish Marks, representing an exchange value of 20 million dollars. In February, the Government ceased to print any more paper Marks for Treasury use, but they continued to be printed for purposes of credits to industry and for the purchase of foreign currencies. When the State Bank was opened, the printing of Marks for these two purposes was stopped also. The issue was closed at a figure of nearly 600 trillion Marks in circulation, representing about 60 million dollars or 300 million *zloty*. Thus, there had been a considerable increase in the issue of paper money since the New Year. But this had had no effect on the rate of exchange of the Mark, stabilised since January 15th, and it had raised the amount of money in circulation—expressed in terms of fixed currency—to a level not much lower than at the end of 1920 or 1921. It would seem, then, that this sum represents a certain *minimum* of circulation, warranted by the existing state of economic forces in the country, and that the value of the money in circulation could not be reduced beneath that level by any further issues of paper money. If we compare this present value of circulating paper money (including short-term bonds) with the amount of gold and high-priced foreign currencies at the disposal of the State Bank, it appears that the security is equal to more than one-half of the floating debt. This is certainly a highly favourable relation, which makes it easy to intervene at critical moments in order to maintain the rate of exchange at the level fixed upon by statute.

The concentration of the greatest possible quantity of foreign currencies in the State Bank will help it to fulfil that important task. There are prospects now of the Bank being able to buy up the currency obtained for exports, as well as the sums in foreign

money sent by emigrants from the United States to their relations in Poland. The great export capacities of Upper Silesia, with its coal, will be a powerful factor in this process. Probably, also, the sums in foreign currency resulting from financial operations of the State, will flow into the coffers of the Bank. In March, 1924, Poland obtained a loan of 400 million lire from Italy, which was guaranteed by the Italian Government. In April, a contract was made with a British corporation for the exploitation of the Bialowiez forests. This will yield the State a revenue of £250,000 to £300,000 a year during the next ten years. The conclusion of some more contracts of that kind is not out of the question now. If the State Bank becomes the biggest buyer and seller of foreign currencies in Poland now, it may well become the determining factor in the money market and dictate rates of exchange to it. In spite of the successes hitherto attained, there are some incorrigible pessimists left who do not believe in the permanence of the rate of exchange fixed at present. They are afraid of a rise in prices and wages in the home market ; this would have an unfavourable influence on the rate of exchange of foreign currencies, both directly and indirectly, by undermining the balance of the budget, as salaries of government officials, which constitute a large item of Polish State expenditure, are paid according to a sliding scale based on the cost of living.

Pessimism on these grounds may be taken to be unwarranted. But it cannot be denied that the maintenance of the balance of the budget and of the fixed rate of exchange will require considerable further efforts. Poland is accomplishing the great work of balancing her budget in the same way in which other nations have done it, viz.,—by getting all the springs into motion which can produce the effect. She is replacing the issue of paper money by the exploitation of all other sources of revenue. This means increase of taxation, loans both domestic and foreign, sales and renting of Government enterprises to private firms, the granting of local self-government with a view to increasing revenue by placing its sources beyond the sphere of changing Parliamentary politics, and finally—economies in expenditure on the administrative machinery of the State. All these means are justified : the problem lies in establishing a proper proportion between them. According to the excellent and illuminating report recently published by Commander Hilton Young, who conferred a great benefit on Poland, by acting as her financial adviser during the most critical period,¹ Poland's expenditure, in order permanently to balance the budget, ought to be reduced to 72½ million zloty per month, because sums which would make higher expenditure possible are not to be obtained from taxes and other sources without the danger of renewed inflation. The Polish Government has adopted a slightly different course. It reduced

¹ E. Hilton Young: *Report on the Financial Conditions in Poland, presented to the Prime Minister of Poland on February 10th, 1924.* (Printed by Waterlow and Sons Ltd., London.)

some items of expenditure, but increased others, the result being that something over 100 million zloty are being spent per month. On the other hand, taxation is being screwed up to a pitch which, according to competent critics, surpasses the taxable capacities of the population. The critics are foretelling that the revenue from taxes, which has so far been beyond the Government's expectations, will sink below them in the second half of 1924. If the income from taxation maintains its present level, or if the Government manages to reduce expenditure still further, the budget will be balanced, and the stability of the new currency will not be menaced from that quarter. Danger to it might lurk in any tendency of the State Bank to counteract unemployment by granting excessive credits to industry.

However, judging by the successful start made with financial reforms, it may be confidently anticipated that both the Government and the nation will muster up resolution and expert knowledge enough to avoid both pitfalls which have just been described. According to the present writer, the surest way of making the currency recovery permanent will be to prolong by another twelve-month the plenary powers granted by Parliament to the present Government, which are to expire on June 30th.¹

* * * * *

What does the course of events in Poland during these last years prove?

It proves, above all, once more, that the rate of exchange of a country's currency depends on the balance of its budget, and not on its balance of payment, still less on its trade balance.

Furthermore, it proves that the development of the financial situation is conditioned by the domestic politics of the country. In Italy, in Germany, in Austria, in Hungary, and even in France, the reform of the currency has had to be preceded by limitation of the powers of Parliament. In Poland the creation of a Government possessed with real authority has meant the overcoming of all financial difficulties. It was quite rightly that Professor J. M. Keynes called paper money "the money of weak governments."

¹ The above having been written in May, 1924, it can only be added summarily that the financial powers granted by Parliament to the Government have since been prolonged, the budget voted by Parliament in July, 1924, is a balanced one, and the rate of exchange of the new Polish currency has not shown any material decline.

The American Cotton Crop and the Indian Monsoon

By C. H. MARSH

THE closeness with which Lancashire's prosperity is involved with the cotton crop of the United States and the Indian harvests is not likely to be questioned by anyone connected with the trade. Just as the former dominates supply prices, so the latter determine the demand of the chief consuming market. But owing to the great elasticity of demand for cotton products, the problem created by a crop failure in either market is made much more acute. As though this were not enough, it appears that the crop variations, which are here considered, have followed curiously similar courses, resulting, in the writer's belief, in the extraordinary fluctuations in prosperity to which the cotton trade is subject. I propose, therefore, first to discuss how the two-fold dependence arises; secondly, to attempt to show why the demand for cotton textiles is elastic; and, thirdly, to give a brief survey of the history of the trade since 1890, in support of my belief that there is a sufficiently close correspondence between changes in the productivity of the cotton crop and the Indian harvests as to bring their respective effects to bear on the trade at roughly the same time. This coincidence is, perhaps, the fundamental reason for the regular rise and fall of prosperity between the extremes of high profits and big losses in Lancashire business. Indeed, it would explain many of those things which are themselves advanced as causes of depression; in particular, mill-building booms.

THE IMPORTANCE OF AMERICAN SUPPLIES AND OF THE INDIAN MARKET.

Constituting, as it does, something like two-thirds of the price of yarn, the cost of raw material exercises a strong influence over the selling price of cloth, and alterations in this item of cost have significance at every stage of production. Among supplies, those coming from America far exceed the others in quantity. In 1913 the consumption of American cotton was, roughly, nine times as great as that of Egyptian, the next largest supply; and was 85.8 per cent. of the whole quantity consumed.

It is the practice in the trade to make quotations for yarn or cloth upon the basis of the current price for raw cotton, at a moment's notice. Reference to a cost clerk is not necessary; and the reason is that the other costs of production show a quite remarkable consistency. In the period 1890 to 1914 there were

only eight alterations in the wage rates of spinners and four in those of weavers. The alterations in the last ten years are more numerous than those of the whole twenty-four preceding 1914. Both the stability of wage rates and the fact that they failed to keep pace with the rise in the cost of living, were of advantage to employers; this is suggested in there being only two reductions, both of which followed on advances forced when tactical advantage was entirely on the side of the workers. Nor were there great alterations in other costs. In the case of spinning, the gross margin of the price of a representative yarn over "middling" Upland American cotton, in a similar period, fell below 2d. per pound only in 1908 and 1909, or rose over 4d. per pound only in the last few months of 1890 and the beginning of 1891, and for some eight months in the prosperous season of 1906-7. This is not to say, of course, that there were not many fluctuations within these limits; yet these limits themselves represent quite exceptional conditions; and usually the margin stood somewhere between $2\frac{1}{2}$ d. and $3\frac{1}{2}$ d. Profits in the spinning business were considered good if there were a net remainder of from $\frac{1}{4}$ d. to $\frac{1}{2}$ d. per pound over and above the other costs of production. It is less easy to discover a convenient index of weaving costs, but essentially the same conditions prevailed. Wages were fairly steady, and such important changes as there were arose from higher prices for yarn, produced almost entirely through spinners having to pay more for their raw material. We may conclude, therefore, that the most important determinant of supply price was the cost of American raw material.

In the same way, as it is possible to get a fair idea of what supply price will be by regarding one constituent price only, so on the demand side there is an excellent index of the activity of the trade provided by the cloth export figures. It is usually accepted that from three-quarters to four-fifths of the total output of cloth is exported, well over half going to India and China. India herself usually imported over 40 per cent. of the total in pre-war years. Of the remainder, roughly 25 per cent. was consumed in other tropical countries, alike closely involved with agriculture. It is to be expected, therefore, that there will be a marked correspondence between the purchases of cotton cloth and the state of the crops in these regions. The recognition by Manchester of this fact is shown by the interest taken in reports on the progress of the Indian monsoon.

THE ELASTICITY OF THE DEMAND.

It will be clear from the above that we are not getting too far away from the central problem of the causation of depressions in the trade when simplifying the survey in such a way as to confine attention to the two factors mentioned in the first paragraph—American cotton supplies and Indian purchasing power. This is the more so, since the demand for the finished product has a high

degree of elasticity. There is no little difficulty in proving elasticity in a particular case; for the theory depends upon other things being comparable when the two different price-quantity relations are considered; and this condition is scarcely ever satisfied in actual business. All one can do, therefore, is to attempt to discover the extent of the reaction of consumption in relation to the varying degrees of the prosperity of the purchaser. Obviously, if the latter is "in funds," a rise in the price of a commodity with a highly elastic demand may not have the expected effect; and this applies equally to a foreign market.

Thus, when the countries which buy cotton cloth have enjoyed good harvests, their purchases will increase, notwithstanding a rise in cost, and decline if harvests have been poor, despite a fall. This may be taken for granted. To show elasticity more is needed: as things become easier to obtain, is much more of them acquired, and vice versa? Or, in other words, are the variations in purchases more than proportionate to changes in the cost of getting them? Greater precision is achieved by regarding the question from two aspects. Firstly, will customers' demand fluctuate according to their immediate prosperity, assuming price to remain the same? With many commodities this would not be the case: is it so with cotton cloth? Secondly, with purchasing power constant, how much is demand affected by higher prices arising out of enhanced costs of production? Essentially both these questions amount to the same thing—the effect upon consumption of an alteration in the ratio of sacrifice to satisfaction; but it is useful for present purposes to distinguish the changes arising from variations in purchasing power from those arising from higher money-costs.

Let us consider the first part of the problem so far as it applies in the case of the Indian peasant. The two chief classes of his consumptive expenditure are food and clothing. Certain other charges upon his funds are important—rent, interest on borrowings, and taxes—but these are less capable of variation than the ordinary living expenses. Nor is there any great margin of income, over and above what goes to meet these essential charges, finding its way into purchases of luxuries and so susceptible to reduction in times of dear living as to leave expenditure on necessities unaffected. It follows that the bulk of economies will be made at the expense of the less essential "necessaries." They will not fall on food, as the mode of living is not such as to leave room for this, verging, as it does at the best of times, upon the margin of subsistence. Consequently it is to expenditure on clothing that the Indian peasant will turn for economies. This is very natural, since a garment or other piece of cloth may always be made to do a little longer; and even when replacement becomes imperative, a cheaper substitute is likely to be available. In this particular case it is found in the lower qualities of unbleached cotton cloth

manufactured in India or Japan. In such a way does consumption of Lancashire goods vary according to the prosperity of the Indian purchaser; and there is elasticity of demand both as to cloth as a whole and to the better qualities in particular. Elasticity is greater in these latter, a factor of importance to Lancashire since, during the period under discussion, it appears that her business with the East was becoming more and more concentrated on higher-class goods.¹

		Grey	Bleached	Printed	Dyed
		Per cent.	Per cent.	Per cent.	Per cent.
1900—3	...	38'44	26'57	18'46	16'50
1904—7	...	36'45	27'62	17'76	18'15
1908—11	...	33'73	27'64	18'45	19'63
1912—15	...	33'78	29'78	16'08	19'66

It is possible to strengthen this argument by more direct evidence. Datta's very full statistical study of the rise in prices in India gives index numbers of various prices, showing that those of cotton cloth and food-stuffs tended to vary inversely. This suggests that at such times as shortage existed, and the price of food-stuffs rose, the curtailment of consumption of cotton goods was big enough to bring prices down by a considerable amount; and that the opposite process happened when food was plentiful. It is interesting to compare an index number of real wages with the quantity of cotton cloth exported to India, as is done in Chart I. The correspondence shown by the two curves is quite close. We may conclude that the demand for Lancashire cloth has varied with the peasant's available surplus over the bare minimum necessary to support life: that when he was "in funds" he bought freely, but in times of scarcity reduced his consumption in such a way as to bring about a heavy fall in the price of cloth.

It is more difficult to answer the second of our two questions—how sales varied with changes in the cost of production. It may be repeated here, that in pre-war years cloth and yarn prices changed very little, except on account of raw material prices. What is more, profit margins were so narrow that any increase in price arising out of dearer materials had to be passed on if the business were not to be conducted at a loss; as, indeed, it often was. Even at boom times competition kept the margin within narrow limits, but the burden of the pressure of demand on available supplies of raw materials fell almost wholly on the final consumer. Since the chief variable item in cost of production was raw cotton, and, further, since changes in its price were almost always passed on to the consumer, we may simplify the problem by reducing it to the question of how Indian demand varied as the cost of raw cotton changed. In Chart I the average price of standard American cotton is given. It must be noticed that the annual periods of cloth exports and cotton prices are different, the former being for

¹ *Manchester Guardian Commercial*, May 15th, 1924. Four-yearly averages of all Cloth exports.

the ordinary calendar year, while the latter refer to the season commencing September 1st of the date plotted. Cotton prices should be compared with the exports of the succeeding year. If this is done, it will be noticed that, as a rule, the two curves follow parallel courses in times of boom or depression, but that on other occasions, in "average" years there is a distinct tendency for the two to vary inversely. This is what might be expected if demand were elastic, the parallel movements being due to exceptional abundance or shortage of purchasing power in the hands of consumers, and obscuring—though not disproving—the normal elasticity of demand. The sensitiveness of the overseas markets is a thing taken for granted in Manchester; and especially is this the case with Indian business.

THE COINCIDENCE OF PARALLEL VARIATION OF CROPS.

The foregoing should have brought out the precarious, two-fold dependence of cotton trade prosperity upon American cotton crops on the one hand and the Indian monsoon on the other. On numerous occasions, however, curtailment of India's purchasing power, as set by the state of her harvests, has coincided with reduced productivity in the American cotton fields; and when the attempt was made, it was found impossible to attribute either to the one or the other responsibility for the decline in business. Each is capable of causing an important contraction in demand, but with coincidence, their effects are doubly serious. A corresponding favourable conjuncture has also been observed.¹

The volume of cotton cloth exports is the best basis for estimating the state of trade with India; and the appropriate relation, as between cause and effect, is with the harvests of the previous year. The cotton crop of the Southern States is harvested in late summer and early autumn, and the Indian "kharif" crops from September to December. The "rabi" crops, less dependent on rainfall and therefore less variable, are not so important in the present connection.

H. S. Jevons declares that sometimes failure of harvests will occur in two different countries in the Northern Hemisphere and during the intervening season in the Southern Hemisphere.² The relations remarked between American cotton crops and Indian Monsoons seems to bear out, to a limited extent, the first part of this statement. There was such a coincidence in the season 1876-7, when the total yield of the American cotton harvest was lower than in either of the proximate years, and the monsoon failed, producing famine in 1877. Though the U.S. Bureau Census figures of

¹ Fairly exact estimates of the probable supplies of Raw Cotton and of the character of the Monsoon are known about the same time—September to October. Considerable speculative business for the next year is based on these.

² H. S. Jevons, *Future of Exchange and Indian Currency*, p. 90.

acreage do not go back so far as 1876 there is reasonable ground for inferring that the yield per acre was lower in this year ; for there appears to have been a progressive extension of the acreage from the conclusion of the Civil War up to the 'nineties, when the practice of restricted planting came into more common adoption by farmers. The year 1882 appears also to be a case in point, though Ellisons' explanation of the big decline in Indian purchases was over-trading in the previous year. Fuller particulars are available since the beginning of the last decade of the nineteenth century. The depression of 1891-3 shows correspondence only in the season 1892-3.¹ The succeeding twelvemonths saw improvement both in yield per acre on the cotton plantations and in Indian prosperity,² as indicated by the very much increased imports of cloth ; though how far this was due to anticipation of the five per cent. tax, imposed at the end of 1894, is uncertain. The effect of the very large shipments was still being felt in 1895 and the price of cotton of 1894 growth fell to very low levels. The crop of 1895 was greatly reduced both by restricted planting, consequent upon this, and by reduced yield ; and the average price of the standard grade was twenty-five per cent. higher than in the previous season. Indian conditions were averagely good and purchases improved until the autumn of 1896, when a failure of the rains coincided with a second low cotton yield. Demand fell away so rapidly that despite the comparative smallness of the cotton supplies, the price of " Middling " suffered a considerable decline.³ This case illustrates clearly the difficulty of assessing the relative effect of high raw material prices and reduced purchasing power ; the rise in prices in the summer of 1896 only anticipated by a few months the bad monsoon which produced the famine of '97. The following two seasons saw American cotton production exceed ten million bales for the first time, largely because the yield per acre proved a record. Ruling prices were accordingly very low.⁴ Partly induced by this, but mainly because of the good monsoons of 1897 and 1898, India bought on an extensive scale. All the various branches of Lancashire's staple industry enjoyed greater prosperity than at any date since 1890. The correspondence between the cotton crops and the monsoons, shown so clearly in the three seasons just considered, existed also in the situation which led to the falling off of business in 1900. In the course of the 1899-1900 cotton season the pressure of demand forced up raw material prices to the extent of fifty per cent. above the average price of the previous

¹ It is convenient to speak of the " season," that is the cotton year beginning September 1st (since 1914, August 1st), partly because statistics mainly relate to it and partly because it corresponds fairly closely with the period of growth and consumption of Indian crops.

² The two charts given on pages 334 and 335 will be of use in following the narrative.

³ The decline commenced in the first week of December.

⁴ See Chart I.

season. At the time opinion laid all the blame on "bull" speculators, who attracted the usual attention and reprobation. But the speculators were acting upon what was to them sufficient justification; the crop of 1899 turned out to be some two million bales less than that of the previous season owing to reduced yield per acre. Whatever was the effect of the soaring prices in checking business, it happened also that during 1900 India was suffering from the partial failure of the crops of 1899. In certain areas famine existed.

In 1901 there was a parallel improvement. Supplies of raw material improved by some ten per cent.; and as the monsoon of 1900 turned out pretty well, there was more abundant purchasing power available. It may be mentioned in passing that although Lancashire business did not suffer in the general ebb of prosperity to the same extent as other trades, another recurring factor was making itself felt about this time—excess of productive appliances due to extravagant mill building. This had its effect on profits though not on the volume of business.

The years 1902 and 1903, while not inconsistent with our thesis, lend it no support. Nothing very definite can be said either of cotton prices or Indian purchasing power. The true explanation of the depressed state of the trade lies, most probably, in a retarded repercussion from the general slump. The next year provided the first definite inconsistency. There was no parallel in Indian crop conditions to the very much reduced yield of the 1903 cotton harvest, and buying took place on a large scale despite the rise in raw cotton prices. This provides an excellent example of the true nature of the elasticity of Indian demand. The increased cost of cloth had no obvious effect because foodstuffs were cheap. Following on this, there were three good cotton seasons, when supplies were abundant; and reports declared the monsoons good, although the index of Food Grain production in Chart II would appear to indicate that 1904 and 1905 were little better than average.

So far as its causes are concerned, the depression of 1908 is complicated. First there was the Knickerbocker Trust crisis of 1907 which brought about a high bank rate, increasing the expense of financing Manchester export business. But once again there was a similar change in the two factors we are considering. Both the American cotton crop and the Indian monsoon of 1907 failed; and it would appear that the coincidence has always been most obvious at times of general trade crisis. In this case there were failures of the crops in China and Japan. In the season 1908-9 cotton was cheap and plentiful, but Indian conditions, though better, were still bad, and cloth imports were much reduced.

So far as purchasing power goes the fairly good monsoon of 1909 should have effected an improvement in 1910, but cotton supplies failed to follow. On the contrary, the yield per acre was the lowest

recorded since 1890 and the total crop less than that of 1901-2, grown on an acreage some eighteen per cent. smaller. Nor was the succeeding crop up to average productivity, although increased acreage and the carry-over from earlier years permitted prices to remain within the limits set by purchasing power. Nevertheless, the yield had shown a marked improvement. India had enjoyed an excellent harvest and bought on a large scale.

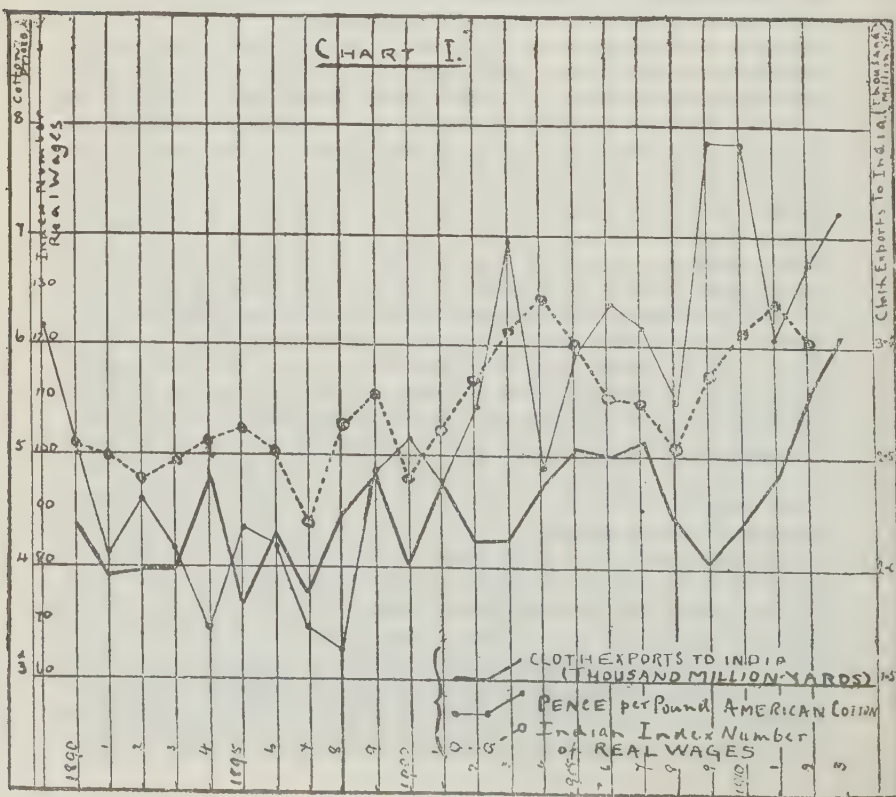
But the most prosperous period in the history of the cotton trade is directly traceable to a fortunate conjuncture of record cotton harvests and excellent monsoons in 1911 and 1912. The extraordinary boom which Lancashire enjoyed in 1912 was surpassed by the activity of 1913. There were obvious signs of a decline in 1914 arising out of the partial failure of the 1913 rains and the inadequacy even of three exceptionally large cotton crops to meet the demand for goods. It must be remarked that the yield per acre of the 1913 crop showed a decline on 1912. War conditions and the boll-weevil pest make any attempt to continue the comparison through the following years practically impossible ; but there appears to be some similarity shown in 1915-6, 1918-9, 1920-1 and 1921-2 so far as general tendencies go.

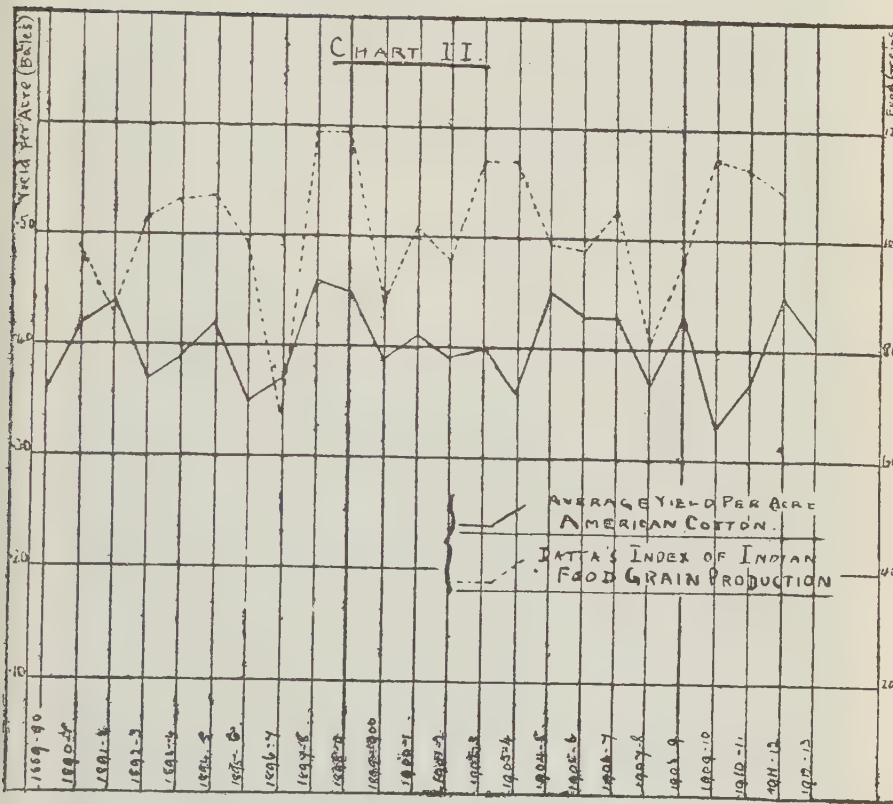
At the risk of dullness, the foregoing history of the trade has been given because it seemed desirable to gather such *prima facie* evidence as is available of the apparent correlation of the two chief individual determinants of cotton trade prosperity. Had it been possible, it would have been simpler, and much more effective, to present two curves based upon indices of cotton yield and Indian crop conditions by way of graphic evidence of the truth of the theory advanced. After considering a number of possibilities it was decided that the data given in Chart II was as near to direct evidence as could be achieved with safety. The index numbers of Indian Food-grain crops are less affected by secular trend than other crop indices which were available ; and apart from this they are probably the most valuable intrinsically. These figures have been compared with the yield per acre of the American cotton crop ; and while no great reliance is placed on the chart, it lends considerable support to the evidence taken directly from trade reports.

It will be noticed that the yearly period of the two series is not the same, being in one case the cotton season commencing with September 1st of the year plotted ; and in the other the fiscal year beginning five months earlier. Had later crop figures been available comparison would have been improved by the adoption of August 1st as the commencement of the cotton season in 1914. However, it is monsoons we are considering ; and as the greatest part of the influence of the monsoon of any year will be felt in the fiscal year commencing two months before the rainy season, there is excuse for comparing the dissimilar periods ; though it becomes necessary to allow for a certain amount of overlapping. These qualifications noticed, it will be seen that there is a remarkable similarity in the

two curves. There is a marked divergence in less than one third of the years ; but this prevents too great a reliance being placed upon the chart. It is given to supplement, and as a commentary upon, the evidence obtained from the trade reports.

The writer does not make any claim to have brought forward conclusive proof of correlation between the American cotton crops and the Indian monsoon ; but the coincidence of numerous parallel failures and successes seemed worthy of attention. There is perhaps more in this sort of thing than has hitherto been recognised ; quite recently I was told of a most successful business man who believed that the English hay harvest was an infallible guide to what the American cotton harvest was going to be. At different times economists have been attracted by the possibility of there being some objective cause of trade fluctuations operating through the crops ; but up to the present there has been insufficient evidence submitted to prove the theory correct. It may happen therefore that this note will interest and, perhaps, be of some slight value to those giving attention to the problem who are better fitted than the present writer to make the necessary meteorological researches.





Three Official Reports upon the Agricultural Depression

By I. F. GRANT

THE present serious agricultural depression and the widely-felt fear that it will have far-reaching effects upon the national life has caused three very interesting official inquiries to be undertaken.

First, an Agricultural Tribunal of Investigation was appointed in December, 1922, consisting of Sir William Ashley, Professor Adams and Professor Macgregor, with Mr. C. S. Orwin as Agricultural Assessor, "to inquire into the methods which have been adopted in other countries during the last fifty years to increase the prosperity of agriculture and to secure the fullest possible use of the land for the production of food and the employment of labour at a living wage, and to advise as to the methods by which those results can be obtained in this country." The tribunal issued two Interim Reports in 1923 upon certain immediate steps that might be taken to improve the status of agriculture (Cmd. 2002), and upon a subsidy scheme for maintaining British Agriculture at its present figure; and a Final Report, this May, in which British and Foreign agriculture and their different methods of dealing with specific problems, were compared and analysed, and various suggestions were made for future policy.

Secondly, a Departmental Committee was also appointed in December, 1922, "to inquire into the methods and cost of selling and distributing agricultural, horticultural and dairy produce in Great Britain, and to consider whether, and if so, by what means, the disparity between the price received and that paid by the consumer can be diminished." The result of this inquiry, consisting of four Interim Reports dealing respectively with milk and milk products, fruit and vegetables, meat, poultry and eggs, and with cereals, flour and bread, together with a Final Report, was issued this spring.

Finally, so widespread is the agricultural depression, the Irish Free State, in November, 1922, appointed a Commission on Agriculture, "to inquire into and report on the causes of the present depression in Agriculture and to recommend such remedies as will secure for Agriculture and for Industries subsidiary to it an assured basis for future expansion and prosperity." The report of this Commission was also issued this spring. It included five Interim Reports, dealing with tobacco growing, the marketing of Irish butter and eggs, Agricultural Credit, and the licensing of bulls, and also very full Majority and Minority Final Reports.

Of these reports, the Final Report of the Agricultural Tribunal of

Investigation is undoubtedly the most interesting and important for the general reader. In the present article it would be impossible to attempt a summary of a report that is itself an epitome of a very wide subject, or to follow out the most interesting comparisons made between the different countries. It is a formidable task to read three bulky official reports, all dealing with the same subject, and this article merely attempts to indicate some of the interesting sidelights that they throw upon each other. Thus the careful comparisons between the agriculture of certain European countries and Great Britain in the Final Report of the Agricultural Tribunal of Investigation tend to show that the standard of British farming is losing the pre-eminence it once held. In a table on p. 154 of the report showing the "Standard of productivity per acre of the actual areas under cultivation in selected countries," the British productivity is taken as the standard for each period and the following results are worked out :

			1884-5.	1909-13.
Britain ...	...	...	100	100
Belgium ...	...	...	107.5	125
Denmark ...	...	...	86.7	103.8
France ...	...	...	63.9	70.2
Germany ...	...	...	65.6	99.2
Holland ...	...	...	99	101.5

A commentary on this relative decline from "the foremost place,"¹ is the fact that in the Irish Report Great Britain is only once held up for imitation—in respect of the facilities for advanced courses of agricultural training (see p. 56), whereas in practically every section there is allusion to the methods of other countries. Denmark, for instance, is specially mentioned seven times in the Final Report.

The Agricultural Tribunal of Investigation stresses the importance of the fact that "In this country the arable area has declined and is declining, and unless that decline can be checked, the output of food and the employment of labour will be relatively diminished." (See p. 8, Final Report.) With the exception of Belgium, Great Britain is the only country that has shown a decline in the area under crops and grass (see p. 20), and it is pointed out that, whereas other countries have materially increased the proportion of their agricultural land under tillage, in Great Britain the area under corn crops has declined by 30 per cent. since 1871, and the area under the important fodder crops by 33 per cent. (see p. 22). As the Tribunal points out in the general introduction to the Final Report (see p. 8): "The decline in the arable area reflects the opinion of the farmers as regards the relative profitableness, including the risks under present conditions, of arable land and grass farming respectively." But the two other reports give interesting commentaries

¹ In 1870 "It was to Great Britain that the continental countries looked for their lesson in improvement of methods of cultivation, and in the breeding and rearing of livestock" (see summary on p. 86).

upon the position of the arable farmer from two rather different angles.

The commentary in the Irish Reports upon the present situation is especially valuable, because the different and relatively superior position of agriculture in Ireland tends to emphasise how deep and world-wide are some of the causes of the present depression. In their introduction to the Majority Report, the Irish Commissioners give the following summary of the general position as affected by the World War :

“ The extent of the depression in agriculture can be best seen by a study of the index numbers, which show that, taking the year 1914 as the basis, the farmer now receives 40 per cent. more for his produce, while his cost of living has risen 80 per cent., and the expenses and requirements of his trade have risen in some cases over 100 per cent. The following are the actual figures for his increased expenses :

Rent ...	...	...	...	...	minus	25
Rates ...	...	...	...	...	plus	150 to 200
Labour ...	...	...	...	...	plus	70 to 80
Fertilisers and feeding stuffs	...	...	...	...	plus	70
Machinery ...	...	...	...	...	plus	90 to 100.”

(See p. 27.)

The report goes on to explain that with these increased costs there has been a general change “ in the relative price level of vegetable and animal produce, which accounts largely for the transfer of land in Great Britain and Ireland from tillage to pasture ” (p. 30).

(The following figures may be extracted from a more elaborate table of price levels, founded on Sauerbeck's index numbers :

				1892-6.	1922.
General Index	...	...	...	64.4	131
Vegetable Food	...	...	...	89	81.6
Animal Food	...	...	...	124.1	140.5
Sugar, Coffee, Tea	...	...	...	102.5	62.6
Minerals	...	...	...	101.7	108.2
Textiles	...	...	...	85.4	102.2
Sundries	...	...	...	101.5	94.6)

The Departmental Committee on the Distribution and Prices of Agricultural Produce gives fuller tables, amplifying the same information as that given in the Irish Report (see pp. 5-8), and points out that the figures “ reflect the serious position of agriculturists generally, and particularly of the arable farmer. But this report is more interesting in bringing out the fact that in Britain especially the present depression is mainly borne by the producer, i.e., the farmer, and not by the meat, grain, vegetable and milk trades as a whole. In the words of the Final Report, there is a marked difference between the position of primary producers and that of distributors, and ‘ the spread between producers’ and consumers’

prices is unjustifiably wide.' " Instances are quoted in all the Interim Reports, and the position is well summed up in the Final Report :

" The distributive trades pass on their costs to the consumer. By adjusting prices as may be necessary to cover increases in cost, overhead and other charges, they remain tolerably secure in the permanent enjoyment of their profit margins. They incur no productive or manufacturing risks. Bad seasons do not wholly efface the fruit of their labour and enterprise. They handle all that the consumer requires, and whether the food they sell is produced in this country or imported from other lands is not unnaturally a matter of less concern to them than the maintenance of the total volume of their trade."

" Primary producers, on the other hand, whose produce is sold in the wholesale market in competition with supplies from abroad, are restricted in their returns by the price realised for the imported article. For them there is no sliding scale of costs and prices. The prices they receive are largely fixed by forces outside their individual or even collective control, and if costs of production or of marketing are high, their net returns are by so much the less. By the nature of their calling, they cannot readily adjust themselves to the shocks of shifting price levels. Nor, as in the case of the railway companies, do they enjoy a virtual monopoly of an essential service."

" One natural result of this condition of affairs is that the profits earned by agricultural producers have been seriously curtailed by the price changes of the last two years. Indeed, in many cases farmers of normal efficiency and with full knowledge and experience of their calling, have not only failed to make profits, but have suffered serious losses. As a consequence, the wages paid to agricultural labourers are, on the average, considerably lower than is justified by the cost of living. On the other hand, the profits of distributors of farm produce, and the wages of workers engaged in the transport and distributive trades, have been well maintained and are, on the whole, higher than in pre-war days, even if the increase in the cost of living is allowed for. In many cases both the net profits and the cash wages in the distributive trades show an increase of 100 per cent., or even more, above the pre-war level, while the cost of living has now fallen to a point only above 70 per cent. above that of July, 1914."

" Agriculturists, on the other hand, whether employers or employed, or working on their own account, have had to bear almost all the burden resulting from the fall in wholesale prices of food stuffs. Their cash incomes during the two last years have been such that, even when the decrease in the cost of living is taken into account, their real incomes have been reduced to a

low level, and are much lower than those formerly enjoyed" (see p. 15).

It is added that there has been considerable unemployment among agricultural labourers, due to the depressed state of industry, but not among the workers on the distributive side (pp. 16-17).¹

The elaborate diagrams that accompany each report show how large are the number of hands through which most agricultural produce passes (there are often three or four intermediaries—sometimes even more) and that the imported produce, which arrives in bulk and ready graded, escapes a large amount of this transmission.

The Final Report of the Committee on Distribution and Prices (p. 12) sums up the direct reasons for the weak position of the British farmer :

" Farmers, for the most part, are men in a small way of business, and even when farming on a somewhat large scale, the produce which they have individually to offer at any one time is an insignificant contribution to the total supply. Sales of such products as grain and live stock are intermittent and not of daily or even weekly occurrence, so that the marketing side of their business, though of primary importance, takes a second place as compared with the more immediate problems of farm management. Their choice of markets for much of their produce is restricted to those within a convenient distance of their farms, and custom or financial convenience has generally led them to deal only with particular firms. Hence the methods of marketing many kinds of farm produce have shown little or no change over a long period of years. On the other hand, considerable changes have occurred in the methods of distribution. Whilst every branch of industry and commerce has been organising on a wholesale scale, the British producer (of agricultural commodities) has, in the main, been content to pursue methods which prevailed before this country became the principal market for the agricultural produce of the world."

The Interim Reports abound with illustrations of careless and inefficient marketing. Thus, as regards the common practice of selling cattle without weighing them, it is said that "no other merchandise in the country of such value is disposed of in so haphazard a way" (Interim Report on Meat, p. 24).

In other countries farmers have been enabled to ameliorate this fundamentally weak position. That the British farmer has failed to do so is largely due to the relative size of the industry in this country. It is interesting to trace the effect of complete lack of export trade and of a large import trade upon the home producer.

¹ On p. 84 of the Milk Report there is a good example of how a retail trade has been able to pass on increased costs of wages to the consumer, and in the Fruit Report there is an interesting general summary (see p. 111).

Professor D. H. Macgregor, in his "Conclusions" (see p. 193), Final Report Agricultural Tribunal of Investigation, says: "The fundamental difference between British and foreign agriculture is not the efficiency, but the size of this industry in relation to all industries. It is out of this fact that our special problems arise. Agriculture is the oldest and in most European countries it is still the largest industry. A new aspect of national economy is opened out when it ceases to hold this position. And, in Great Britain, agriculture fell to second place among the census groups in 1901, and to the fourth place in 1911." This fact of the relative smallness and unimportance of British agriculture, compared to industry, is brought out clearly in all three reports. That of the Agricultural Tribunal proves it by comparing the amount of land, the numbers employed, and the crops raised in the various countries. The Departmental Committee on Costs and Prices shows it indirectly by demonstrating how largely we are dependent on overseas sources for our own supplies.¹

The Tribunal of Investigation again describes in detail methods by which foreign countries have maintained their agriculture both by means of State measures, such as protection, bounties, credit facilities, grading of exports, educational facilities, etc., and by the deliberate effort of the people themselves by means of various developments of the co-operative movement and of other forms of voluntary organisation.²

In this report the importance of the idealistic element in the successful spread of the co-operative movement is insisted upon: "A general characteristic of this movement, which deserves attention, is that there has been in its origin, and retained throughout its growth, an idealism which has given to it more than an economic impulse. In some of its most notable manifestations it has been

¹ Thus it was estimated that the total amount of milk products that were imported represented 1,470 million gallons of milk, whereas, including the liquid milk trade, which, from its nature, is immune from direct foreign competition, the amount of home-produced milk amounted to 1,220 million gallons (see p. 12 Interim Report on Milk). In the fruit trade, "while the acreage of British fruit has declined, imports, which of necessity dwindled to negligible proportions during the War, have now reached and surpassed their pre-war dimensions" (see Interim Report on Fruit and Vegetables, p. 12). The percentage of home-produced meat that was consumed in Great Britain in 1922 was 52·1, showing a decline compared to pre-war percentages (Interim Report on Meat, p. 10). Of eggs, 40 per cent. were home-produced that year (see p. 104 of the above report). Only 29 per cent. of our wheat consumption was home-grown, and the figures for home-raised barley and oats were 60 per cent. and 80 per cent. respectively (Interim Report on Cereals, Flour and Bread, pp. 11 and 17).

² "A further method which is found in the principal agricultural countries abroad is that of co-operative organisation." "The striking fact is the universality of the movement and its rapid growth within a comparatively short period of time. Nothing stands out more markedly in a comparison of British and foreign agriculture than the backwardness of co-operation in this country" (pp. 63-65).

closely associated with religious ideals, while, in other instances, it has been linked with aims of social reconstruction"¹ (p. 64).

The Departmental Committee on Distribution and Prices of Agricultural Produce abounds with illustrations of the advantages which foreign produce enjoys, both by proving more attractive to the customer and more convenient to the distributor, and by avoiding some of the links in the long chain of commission agents, secondary, wholesale, etc., which the badly-organised British trade has developed. "Overseas interests have secured a large and increasing part of the trade in all the large urban markets by the efficiency with which they have standardised their products and organised methods of sale" (Final Report, p. 13). With regard to butter and cheese: "The dominating position in the home market which has been secured by the imports of these commodities is due, in the main, if not entirely, to the systematised methods of manufacture and of packing and grading, as a result of which, imported goods reach this country well packed and of definite graded or guaranteed qualities" (Interim Report on Milk and Milk Products, p. 81).

In the case of vegetables and fruit, examples of faulty British packing are quoted, and the report goes on to state that "In striking contrast with the defective packing of home-grown produce is the reliability and orderliness of the packing of imported produce generally. The fruit sent from the Dominions and from the United States of America, usually by producers' co-operative societies, is uniform in size and quality not only throughout each package, but also alike throughout all packages which bear the same mark. Legislation in the exporting countries prohibits the export of other than properly packed and graded produce. The work of packing and grading is carried out at packing stations, where skilled operatives are employed for the purpose. The stations either belong to individual growers with large acreages or to merchants and shippers who buy meal produce direct from growers or, more usually, to growers' co-operative societies. This epitomises the reason why so firm a foothold has been established in some markets by produce imported from abroad" (p. 98).

The Danish bacon trade is an interesting illustration of organisation and co-operation. "Danish producers have made a careful study of the requirements of the British market. By combining

¹ In the Irish Report, "education on the true spirit and practice of co-operation" is said to be a "proper case for State aid" (p. 52). If the recommendations regarding the egg and butter trades that are made for Britain and Ireland respectively are compared (see Report on Distribution and Prices in the Interim Reports dealing with these trades (p. 81 and p. 153), and the Report of the Irish Commission on Agriculture (pp. 11 and 16)), it will be easily seen how different are the tentative suggestions for voluntary co-operation in the non-exporting country, compared with the very explicit proposals for State inspection at the port of export which are proposed for the country with a large overseas trade.

together, and with the encouragement of their Government, they have set themselves successfully to supply the article required. It has been estimated that in Denmark, as a result of progressive co-operative methods and careful breeding and feeding, 75 per cent. of the pigs can be described as 'good,' from the standpoint of the curer, whereas in England the percentage is computed at less than 50, while no more than 12 per cent. can be described as extra prime. In Denmark special breeding centres have been established in conjunction with the bacon factories. Certain farmers, by arrangement, breed animals specially for stock purposes. They are registered and receive a small subsidy from the factories for the purpose. Any producer can obtain the address of a registered breeder and thus make sure of getting the right type of animal to keep his standard up to factory needs." On the other hand, among British breeders "little or nothing is done in the direction of producing for the curer a standard and uniform article. The Danish conquest of the British markets is not least attributable to the way the farmers' associations in that country have induced their members to abandon their personal prepossessions as to the type of pig to raise" (Interim Report on Meat, Poultry and Eggs, pp. 93 and 95). As regards wheat and oats, although the decline in the price of wheat, due to the opening up of the virgin soil of the New World, was the death-blow of British farming, the prices for overseas grain are considerably higher, on the average, than for home-grown grain. This is partly due to the superior "strength" of overseas flour for baking. But the table on p. 20 of the Interim Report shows that the ratio varies considerably at different seasons of the year, owing to the weak position of the British farmers, who sell their grain immediately after harvest in order to raise money for "essential transactions, such as the purchase of stock for winter feeding." A glut is caused, "and farmers who press the sale of their produce at that time have, as a result, to take what has been described as a 'terrible discount'" (see p. 33, Interim Report on Cereals).

The reports issued by the Departmental Committee on Distribution and Prices deal with one immediate and practical effect of the relative position of agriculture in Britain. The scope of the Tribunal of Investigation is much wider, and it is significant to compare its general attitude with that of the Irish Commission on Agriculture. In the British report: "The first question to which we wish to direct attention is the place of agriculture in our national life," and the social importance of agriculture is stressed, "the great importance of the produce of the soil to the life and industry of the people, in peace and especially in war," and "the value of a flourishing rural population in the concentrated and intense life of the modern industrial state" (Final Report, pp. 8-9; see also pp. 101 and 108). The position of Ireland is entirely different, for there "Agriculture is the foundation on which the commercial and business life of the

country is based." "If half the export of drink and tobaccos are included with farm produce, these figures would show that between 70 and 75 per cent. of the total exports from An Saorstat (the Free State) are farm produce. Furthermore, as something like 50 per cent. of the farm produce produced within An Saorstat is consumed within An Saorstat, it seems to be quite clear that about 75 per cent. of the real wealth produced within An Saorstat is farm produce" (see p. 26, Reports of Commission on Agriculture, Ireland). The point of view of the Irish Majority Report is, therefore, mainly economic. This fact is very clearly brought out in the Minority Report, which is signed by the two commissioners who represent Labour (one of whom is also among the seven signatories to the Majority Report). The Minority Report considers that the Majority Report "appears to view agriculture and all operations connected therewith as a means for making money" (p. 77). The Minority Report is itself in favour of a policy encouraging a larger food consumption at home and less production for export (p. 82).

It is interesting to compare the recommendations made by the British Tribunal and in the Irish Majority Report. Where they coincide, their recommendations seem all the more valuable, but it is perhaps more interesting to trace out the differences in outlook.

The English Tribunal of Investigation gives several lists of recommendations. The second Interim Report faces the fact that "if the decline in the arable area is to be at least checked, immediate direct action by the Government is necessary. If left to itself, the farming industry will necessarily adjust its practice so as to make farming pay. But under present circumstances it will be farming of a character which will involve a material reduction in the supply of home-grown food and a serious decline in the number of men employed on the land, thus adding yet further to the burden of unemployment." "In order to maintain the arable area, we have come definitely, though reluctantly, to the conclusion that either a guarantee or a subsidy would be necessary. Such a guarantee or subsidy may take various forms." Having discussed various proposals for bounties, protection, relief in national taxation or in the cost of wages, the Tribunal prefers "a scheme which combines a subsidy on all arable land with an additional subsidy on land under wheat," viz., 10s. on all arable land and an additional 10s. on land under wheat. "At the same time an Agricultural Wages Board should be set up, because we could not contemplate a subsidy to agriculture unless a considerable portion of the benefit thereby accruing to the industry was, in fact, by agricultural workers."

The reasons for the special bounty on wheat were largely social: "It may be asked why wheat should be singled out for special benefit. We would reply that it is the main factor in the maintenance of arable farming in England, that it is the most essential food-

stuff, and that it is the crop which has suffered most by the fall in prices" (see second Interim Report, Cmd. 2002 pp. 2-5).

In the Final Report the desirability of maintaining agriculture at its present size by means of such a subsidy, at a cost of over £6,000,000, is considered from the standpoint of the nation as a whole. "The real competitor of the farmer in an industrial country is the manufacturer for export. It is he who, as the indirect producer of food, competes with the farmer, the direct producer" (p. 146). "England will remain a country in which manufacturing activities vastly preponderate over agricultural, and which must depend on the export of its manufactures to the outside world. Nevertheless, the disadvantage attaching to any further considerable decline in the arable area will be so great that it will be worth while for the country to pay a substantial price for its maintenance" (p. 98). "Under a Free Trade system, Great Britain can only maintain its tilled area by going over to arable stock farming. This, under English conditions of land tenure and cultivation, British farmers have no pecuniary inducement to do with their present experience. They can make a form of farming pay which will seriously lessen tillage and seriously lessen, also, the production of food and employment on the land" (p. 99). "Anything the Government might do would be intended to induce farmers to pursue a line of action which they would not pursue left to themselves. And that means that the nation must bear, for some time at any rate, a burden which otherwise it would not bear" (p. 98P).

The three most important social reasons for the maintenance of British agriculture at its present size, viz., food supply in war time, national health, and economic stability, are dealt with in the general body of the Report and in three special memoranda by Sir William Ashley. "There is no other reason than national insurance which, in the present state of national finance, would justify this expenditure. Reference has been made to the somewhat different position which Britain holds in this respect, as compared with a country like Germany, and to the experience of the war, during which we did, and she did not, maintain a full ration of food. But it is for others to estimate future war possibilities and methods" (p. 194).¹

Leaving the nation to decide upon the wider question of whether it will prefer a decline in the agricultural population and in the national food supply, or to bear definite financial burdens, the Final

¹ Another report that is interesting to compare with the memorandum upon National Defence in the Final Report of the Tribunal of Investigation is the Policy Committee of the Council of the Central and Associated Members of Agriculture (reported in *The Times*, July 16th, 1924). As pointed out by this committee, the limitation of the strength of our Navy under the American Convention may seriously modify the power of the nation to protect and ensure supplies of overseas foodstuffs in war time.

Report turns to recommendations to enable even the reduced industry to "be more fully organised, increase its technical efficiency, give fuller opportunity to the labourer, and be more financially prosperous" (p. 204).

The report contains two lists of recommendations, a more detailed one upon p. 88, and Professor Macgregor's summary of what is most urgently required on p. 192. The latter urges four subjects for State assistance, viz., credit, co-operation, agricultural education and research, and small holdings. The more detailed list also mentions certain modifications of land transference; the assistance of stock and crop improvement schemes; the voting of a consolidated rate for agricultural districts, a reorganisation of public and voluntary county agricultural organisation, district wages boards, special housing grants, inquiry into the possible development of road transport, and into the use of power and of wireless, and stricter regulations for weed and vermin destruction. Of these recommendations, the proposal for the regulation of farm workers' wages is no doubt the most important.

The Irish Report reveals an entirely different attitude: "Agriculture is the foundation on which the commercial and business life of the country is based, and the circumstances that affect agriculture most sensibly influence the entire economic life of the nation. It is for this very reason that alarm is not unnaturally felt when agriculture is depressed, as it is at the present time, but dependence on a single industry has both its advantages and its disadvantages. On the one hand, it connotes a rural population, capable of supporting itself in the matter of food supplies and, therefore, not so sensitive to economic depression as a large and highly articulated urban population. On the other hand, a country which is chiefly urban, and whose occupations are mainly industrial, may benefit by lower food prices which agricultural depression implies, and the prosperity of these urban interests may enable the burden to be so adjusted as to relieve the rural section. In Ireland no relief can be obtained by agriculture by shifting the burden on to other industries, and agriculture must, therefore, find its salvation from within, or it must perish" (p. 27).

The attitude of the report to Protection is largely influenced by the country's dependence on the open British market, but also because Ireland "must for many years rely on its export trade" (mainly consisting of agricultural produce) "with which to buy the requirements that are not produced at home" (p. 32), and it is opposed to "subsidies, grants, bounties, guaranteed prices," except in the case of "operations of a special experimental character, such as the growing of tobacco, sugar beet, the manufacture of industrial alcohol, or the reclamation of bog lands. Under the heading of "Limitations of State Assistance," the two main objects for public help are said to be "the promotion and attainment of better practice both in the production and marketing of agricultural

produce." The most important function of the State being the provision of "education in these matters," co-operation is also to be stimulated, and State credit given (pp. 31-2).

The recommendations contain no mention of the standard of wages, of the stimulation of food production as an object in itself, or of housing. The Interim Reports on the marketing of butter and eggs, that on the licensing of bulls, in which stringent regulation is proposed because defective breeding has "done much to lower the reputation and value of Irish Stock," and in the Final Report the recommendations on marketing and transport, live-stock and the dead meat industry are mainly concerned with vigorous propaganda by means of regulations, education, and direct grants to assist the Irish farmer to develop or maintain his export trade. Rather more than half the report is occupied, in more or less exact detail, with this important subject. The sections dealing with the problem of marketing in the much fuller British Report are very short and general in their terms.

The difference in policy and attitude of the two reports can also be seen in the way they handle the recommendations which they both strongly urge. In the case of small holdings, the difference in attitude is no doubt largely caused by differing rural conditions. In Ireland the small holding movement is an integral part of the social fabric; in Great Britain only 16 per cent. of the total arable acreage is cultivated in farms under 50 acres in extent. The Irish Report stresses the anti-social effects of unduly small holdings more strongly, no doubt owing to experience, but the English Report states that: "Small holdings are not to be advocated on the ground of net produce" (p. 41). "The grounds on which the small holdings policy can clearly be based are two. In the first place, it is a policy for maintaining rural population; it does this by satisfying an ambition and, therefore, impeding the rural exodus. In the second place, it is in the interests of the efficiency of farming as a whole that qualified labourers should be enabled to start on their own account, and to rise into the ranks of farmers." "Agriculture, it may be repeated, is an industry to which this latter idea is so specially applicable that an effective small holding policy is a matter of social justice" (p. 134). "An extension of the present State aid to small holdings" is recommended, and in the event of "national safety requiring" an extension of the arable land, the report states that "special subsidies on small holdings might be the most effective way of meeting the case" (p. 184).

The Irish Report points out that the national problem is "not how to bring more people on to the land of Ireland, but how the existing population may be redistributed so as to relieve the congestion and increase the number of farms which will afford subsistence to their occupiers" (p. 34).

The Minority Report is in favour of an extension of small holdings "because of the greater national wealth that comes from tillage.

Broadly speaking, the smaller the holding the greater the percentage tilled. The reason is that the occupier must till if he is to derive a livelihood for himself and his family out of the holding " (p. 78).

The Majority considers the value of the grazing land which it is proposed to break up with regard to the export cattle trade. " We therefore recommend that any scheme involving the closer settlement of grass lands should have due regard to the market which these lands at present afford for the finishing of stock reared on poorer land or on smaller farms " (p. 34 ; see also final paragraph on p. 35).

In the case of " credits," the difference in the two reports is rather due to circumstance than attitude. In both reports the provision of credits is considered as closely associated with co-operation. In the case of Ireland the co-operative spirit exists, and there " are quite a number of credit societies here and there throughout the country." The report states that until a " widespread desire " shows itself, " there can be no question of any . . . rapid development. The success of co-operative credit societies depends on the extent to which they embody the spirit of organised co-operative self-help. The State can do little to further the growth of this spirit, and it can do much to impair it. The State, however, can and ought to provide a satisfactory legislative background for the operations of co-operative credit societies " (p. 19).

The British Agricultural Tribunal of Investigation is fully alive to the paramount importance of agricultural credit, especially " in a country like this, where funds are liable to be drained from the rural districts for investment in other industries than agriculture " (p. 196). The paramount national need has already led to the passing of the Agricultural Credits Act of 1923, involving more direct initiative from the State in the formation of credit societies. Further development must, no doubt, depend upon that Act. In both reports there are recommendations that the provision of long term credit should be made by the State through existing joint stock banks.

Both the reports are strongly in favour of co-operation among farmers. The longer British Report explains that such co-operation takes the place of the modernised methods of mass production and organisation that have developed in all branches of modern industry (p. 105 ; see also p. 135). Two main conditions for success are fully acknowledged in both reports. First, the main essential to successful development must be the presence of the co-operative spirit (see p. 52 in the Irish Report).

" A general characteristic of this movement which deserves attention is that there has been in its origin, and retained throughout its growth, an idealism which has given to it more than an economic impulse " (p. 64 in the British Report ; see also p. 52 in the Irish Report). Second, the movement must be the outcome of voluntary effort, and that success has depended, and will continue to depend, on the vigour of self-help " (see British Report, p. 64 ; see also

p. 140). The Irish Commissioners also "fully realise the immense advantages of unrestrained voluntary effort." Both reports deplore the fact that co-operation is backward in their own countries, but how different is the relative position of co-operation in Great Britain and Ireland may be seen from the two sets of recommendations.

In Ireland it is proposed to encourage the movement by only assisting voluntarily-formed societies that show a reasonable standard of efficiency. No grant is to be given "unless a substantial proportion of the capital be paid up" and "credit be kept within due and decent bounds" (p. 53). No aid should be given to "any scheme of co-operative marketing of which the binding clause did not form a part" (p. 54). The societies should also show "evidence of efficiency," which should consist of "a certificate signed jointly by the auditor and registrar which would be complementary and in addition to the usual certificate of audit, and would certify that the books and accounts, minutes and other records had been properly kept, that stock values had been subject to independent examination, that credit had been kept promptly and properly rendered, and that the general efficiency of the society was satisfactory" (p. 55).

In Great Britain, where "nothing stands out more markedly in a comparison of British and foreign agriculture than the backwardness of co-operation" (British Report, p. 65), far more elementary methods are necessary. "In making our recommendations, we do not forget that co-operation is essentially a self-help movement, and that in most foreign countries it depended little for its development on assistance from the State. We recommend that the Government should continue to provide funds for propaganda in aid of the agricultural co-operative movement." That the Minister of Agriculture should continue his efforts to bring together the associations connected with the agricultural community, with a view to ascertaining appropriate channels through which the State can assist in the organisation of co-operative societies" (p. 93; see also p. 73 for a fuller account).

The British Report qualifies the extent of State aid in another direction. State grants "should be for specific purposes, such as propaganda, especially among small holders. The establishment of credit and insurance societies, and the provision of plant for the grading and preparation of produce for market. But that part of the co-operative movement which is concerned with the buying and selling of agricultural produce should be left to associated enterprise, and remain a matter for self-help" (p. 89).

The Irish Report also urges that grants should be given for definite and specified purposes, such as the training of managers and the testing of milk, and, like the British Report, it emphasises that the provision of credit and education in co-operative ideals are especially suitable objects for State aid.

In the case of education, both reports cover somewhat the same "very wide range" of "training in schools and classes and colleges," "the distribution of information through various agencies," and "the work of agricultural research in its many aspects" (p. 89 of the Agricultural Tribunal Investigation). The British Report rather emphasises the need for more and extensive work (p. 197), and quotes what has been so successfully done in Ireland. The Irish Report refers to the British University system. Both note the importance of training in costing, preparation of goods for the market, etc., especially by demonstration, though the Irish Report insists on it rather more strongly. The British Report is far more satisfied "that the plan of agricultural education in this country is on the right lines as a whole" (p. 124) than is the Irish Report.

The most striking difference between the two reports' attitude to education concerns the curricula of the rural elementary schools. This matter received most attention in the Irish Report. "The earliest stages in education are the most important, and it is, therefore, to the primary schools that attention should be first directed. The weight of evidence received by us establishes the fact that no useful object can be obtained by attempting anything in the nature of technical or vocational education in the primary stages. Much, however, can be done to prepare the country boy or girl in the primary schools for an agricultural career, short of actual vocational instruction. Owing to various circumstances arising out of the system of Irish Government under the Union, into which we need not enter, the distinction between the needs of rural and of urban school children was not sufficiently recognised in the past, and the time has now come for this defect to be repaired. The requirements of the rural scholars can be summed up in the short but expressive phrase that education should be given a rural bias. The translation of this ideal into practice would involve the preparation of slightly different curricula for the two classes of schools, the country schools being provided with 'readers' and mathematical books calculated to arouse the interest of the pupils in the subjects which are likely to engage their attention in after-life. The prevalent idea that the end and aim of all education in the national schools is to prepare pupils for a seat at a desk in a city office or for a minor appointment in the Civil Service must be abandoned" (p. 57).

Although the British Report is also in favour of introducing "a reasonable agricultural element into our country schools," the attitude is a cautious one. It is "not a thing to be done rapidly and by order from above; it will require a great deal of judicious attention from the county Directors of Education and the county Director of Agriculture in concert, and a great deal of thinking out by those responsible for the Training Colleges, if it is to have any hope of even a partial success" (pp. 63 and 93). The reason for

*his difficulty is the "highly industrialised" condition of the country, the appeal of town life to the cleverest country children, and the large number of rural teachers who have "town horizons," as opposed to Ireland's "vast majority" of elementary school children who "are destined for an agricultural career." One may wonder if the relation between the state of English country life and its rural education is not one of effect as well as of cause.

The British Report clearly recognises "that agricultural education, to be as effective as it can be, must rest upon the basis of a broad and human general education" (p. 89). "Technical knowledge is not the only aspect of the problem. The extent of general education is even more paramount" (p. 120). But the Irish Report goes further. General and technical education must be regarded as "supplementary to each other." "Each without the other is sterile and impotent to produce useful results. The formation of a sturdy and independent character and of a broad and tolerant outlook on life is no less important in the production of the complete farmer than the acquisition of useful knowledge relating to soils, manures or seeds. Agriculture is more than any other avocation a pursuit where man is brought into direct contact with nature and the elements; there is no other industry where success is dependent upon so many causes outside the worker's own control, and none where ready adaptability to changing circumstances and a philosophic attitude in the face of unforeseen misfortunes is so essential. For the production of these qualities technical education alone will not suffice; the whole education of the boy and the man must be directed towards the creation of the correct type of character."

Two of the remaining recommendations of the Irish Report, i.e., those on Alternative Employment and Industrial Crops, are social, in that they aim at creating work for a population already on the land, and it is interesting to compare such needs with the statement in the British Report that the decline in the agricultural population is largely due to the exodus of the people to the town. "Rural migration is caused to a great extent by social influences, and is not due solely—perhaps not even mainly—to the problem of finding local employment" (p. 182). Again, one of the reasons given for the recommendation urging the small holdings and the establishment of District Wages Boards is the need for attracting more people to the land.

It is strange that, beyond a suggestion for a consolidated rate for agricultural purposes, the British Report does not mention the question of rates. Among the extremely interesting comparative tables on agriculture in foreign countries, there is no comparison between the public burdens on agricultural land in the different countries. Nor does the Tribunal express any opinion upon the proposal to extend the present relief of local rates on agricultural land. The Irish Report, in its recommendation, states that "in times of agricultural depression, like the present, the burden of

local rates is sorely felt by agriculture." The report, therefore, recommends that main roads which "are now national highways," and "are maintained on a scale which is unnecessarily elaborate for local needs," and asylums, "because we fail to see the justice of the system which confines the main property of this charge to the owners of real property in the area which any given asylum is said to serve," should be entirely paid for out of national revenue. It concludes: "In making this recommendation we realise that the burden will still be borne, to a considerable extent, by the agricultural industry; but, in our opinion, it will be more equitably distributed over the whole community, and carried by those who are individually to support the charge" (p. 37).

The Recent History of the Copper Trade

By D. C. MORISON

DURING 1923 the average price of refined copper in New York was lower than it had been in 1913, whilst general prices, as shown by the index number of the Bureau of Labour, were 54 per cent. higher.

This fact seems to require the more explanation when one considers the great expansion in the use of electricity which has taken place since 1913, and the importance of copper as a raw material in the electric industry.

This explanation may be found in the history of the metal in the post-war years, and in the following pages I have given an account of the course of the copper market since 1918, and have then attempted to set forth the factors which bear upon the future of the industry. A few introductory paragraphs precede this account, dealing with the sources of supply and the nature of the market considered.

The following table shows the copper production of various countries since 1913. It exemplifies the predominant part played by North and South America in this production, for these countries produced in 1913, 73 per cent., and in 1922, 78 per cent. of the world's total output. The quantities produced by other countries are small in amount and their variations have been of little importance during the period under review, the expansion in production since 1913 being due almost entirely to variations in the American supply. The only source of supply outside America which seems likely to have an appreciable effect on the market in the near future, is the Katanga region in the Belgian Congo, where resources are being rapidly developed and it is hoped eventually to produce 178,000 tons of copper annually. But at the moment the output of the area is comparatively small, so that any study of the past four years may confine itself, in considering the conditions of supply, to the production of North and South America. Consequently, in the pages which follow, costs and methods of production refer to these countries only, and it is mainly the New York market which is considered.

In the American Continent itself it is necessary to note the growing importance of Chile in the production of copper. The resources of this country (which in 1913 produced 41,000 tons of ore) have been rapidly developed during recent years, the development having been largely facilitated by low costs of production.¹

¹ In 1923 the Chile Copper Co. were able to put copper on the New York market at a total cost per lb. amounting to less than half the current price.

TABLE I.—WORLD'S PRODUCTION OF COPPER¹

	1913	1919	1920	1921	1922	1923
Africa ...	20,000	31,000	31,000	39,000	54,000	
Australasia ...	46,000	16,000	27,000	19,000	12,000	
Austria-Hungary (not q'd)	900	2,000	2,000	4,000	4,000	
Bolivia ...	4,000	7,000	10,000	10,000	11,000	
Canada ...	34,000	36,000	36,000	21,000	23,000	
Chile ...	42,000	64,000	95,000	56,000	128,000	
Cuba ...	2,000	10,000	7,000	8,000	11,000	
Germany...	26,000	16,000	17,000	19,000	17,000	
Italy ...	3,000	1,000	600	100	—	
Japan ...	67,000	82,000	66,000	54,000	55,000	
Mexico ...	52,000	60,000	45,000	12,000	27,000	
Norway ...	14,000	2,000	1,000	1,000	2,000	
Peru ...	27,000	39,000	31,000	34,000	36,000	
Russia ...	33,000	—	—	—	2,000	
Spain, Portugal...	81,000	35,000	23,000	33,000	37,000	
Sweden ...	1,000	4,000	1,000	1,000	—	
United Kingdom	400	100	100	—	—	
United States ...	552,000	584,000	548,000	229,000	431,000	
Serbia ...	(not q'd)	1,000	2,000	4,000	5,000	
Other countries ...	600	5,000	5,000	5,000	7,000	
Total ...	979,000	994,000	948,000	549,000	862,000	1,115,000 ¹

¹ 1913 from Imperial Mineral Resources Bureau report; 1919-22 from *Mineral Industry*, 1923, estimated.

TABLE II.—COST OF PRODUCTION¹

Quantities of Copper produced in 1918 at different costs of production.—From Mineral Industry, 1919.

Cost in 1918	Estimated cost in 1923 of similar quantities	Production, 1918, in mill. lbs.	Per cent. of Total.	Accumulated per cent.
Cost less than 12 cents ...	9.5 cents	122	5.41	5.41
Between 12—13 ..	9 —10	209	9.24	14.65
13—14 ..	10 —11	315	13.93	28.58
14—15 ..	11 —11.9	360	15.92	44.50
15—16 ..	11.9—12.7	98	4.35	48.85
16—17 ..	12.7—13.5	461	20.39	69.24
17—18 ..	13.5—14	255	11.32	80.56
18—19 ..	14 —15	72	3.20	83.76
19—20 ..	15 —15.9	28	1.26	85.02
20—21 ..	15.9—16.7	37	1.63	86.65
21—22 ..	16.7—17.5	136	6.00	92.65
22—23 ..	17.5—18	61	2.70	95.34
23—24 ..	18 —19	45	1.99	97.32
24—25 ..	19 —19.8	6	0.28	97.66
25—26 ..	19.8—20.5	7	0.34	97.90
Cost over 26 ..	21	46	2.04	100.05
Total ...		2,258	100	

¹ From Report of Federal Trade Commission on 85 mines which covered in 1918, 95½ per cent. of total copper of U.S., 94 per cent. of Chile, 71 per cent. of Peru, 58 per cent. of Mexico, 50 per cent. of Canada, and 20 per cent. of Cuba.

Further extensions are now proceeding, which promise an output of over 250,000 tons annually in the near future.

CONDITIONS OF SUPPLY.

Amongst American producers we find great divergencies in the conditions of supply and great variations in the costs of producing a pound of refined copper. The successive costs which go to make up the total are the expenses of mining, reduction, refining and transport. The cost of each of these processes varies very much according to the type and locality of the undertaking, and there are also great differences in the proportion which each process forms of the total cost.¹ In the size of the undertaking also there are great differences. The bulk of the copper output (about 67 per cent.) is produced by very large scale undertakings registering low costs of production, while the other 33 per cent. is produced by a number of smaller firms. The smallest firms report the highest costs per pound of copper. The table above shows the amounts of copper which were produced at various costs during 1918. Unfortunately I have not been able to obtain similar figures for a later date, but if variations in cost have followed variations in general prices² the figures in column two would give an indication of the present position.

In 1916 there were said to be 1,848 mines producing copper, but thirty-one of these produced 85 per cent. of the output. In 1918, thirty-six mines produced about 80 per cent. of the output. Even amongst these large producers control is concentrated in few hands, as four large groups hold controlling interests in a number of smaller companies. It was estimated that in 1923 50 per cent. of the North and South American mines were operated independently. But in addition to their large mining interests, these four groups also control the great custom smelting plants, and in connection with them are the four selling agencies which handle a large majority of the copper sold.

The tendency during recent years appears to have been towards still further consolidation, and a number of mergers were effected during 1923. One large company also acquired the American Brass Co., the largest manufacturers of brass products in the U.S., and consequently an important copper consumer.

A new combination of producers for export trade was formed in 1919, known as the Copper Export Association. It represented at first about 75 per cent. of the refined copper produced in America,

¹ In those undertakings investigated by the War Industries Board in 1918, mining costs averaged 39 per cent. total costs, and varied from 29 per cent. to 62 per cent. total costs; Reduction averaged 31 per cent. and varied from 25 per cent. to 55 per cent.; Refining averaged 6 per cent. and varied from 0.6 per cent. to 7 per cent.

² The amounts produced at various prices in 1922 and 1923, and the published costs of certain companies lead one to suppose that the calculation is not far out.

but during recent years outside companies, by undercutting, have secured a greater share of the export business. Various producers have withdrawn from the Association, so that it now represents about 50 per cent. of the current output of refineries and electrolytic precipitation plants.

Copper is largely used in the electric trades, and in alloy with zinc as brass. These are the most important uses: for further details, see Table IV. There are two main grades of the metal, standard and electrolytic; London is the chief centre for dealings in the former, and New York for dealings in the latter variety. "Electrolytic" is copper refined by the electrolytic process, and contains 99.9 per cent. or more of the metal. It is of high conductivity and suitable for electrical work. About 75 per cent. of the world's output is refined in this way and, with the exception of Lake Copper,¹ practically the whole of the American supply.

Standard copper is rough copper containing from 96 per cent. upwards of the metal. It is not sufficiently pure for electrical work, but is suitable for the manufacture of alloys and for engineering and mechanical uses. Before the war it cost, on an average, about £3 per ton to refine standard into electrolytic, and that sum was considered a normal margin between the two prices. Purchases here of electrolytic copper from America are customarily hedged with standard. Three prices for the latter commodity are quoted on the London Metal Exchange: cash, settlement, and three months forward. A contango of less than £1 per ton of copper appears to have been normal during recent years. On the few occasions when a backwardation has emerged it appears to have been due to a shortage of copper available for immediate delivery.

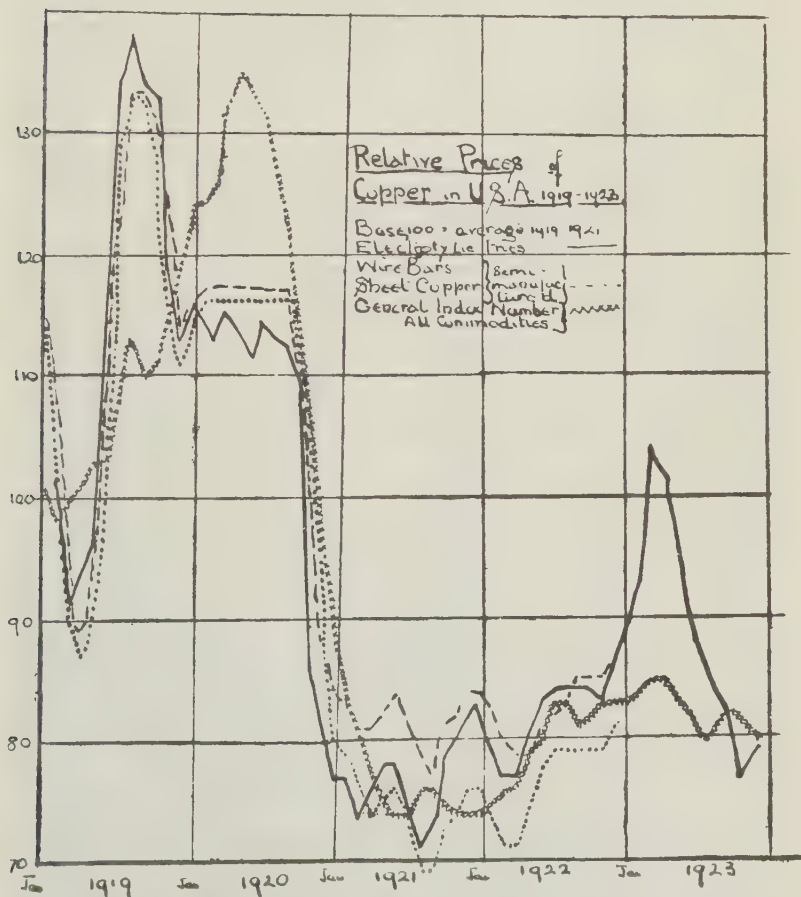
These introductory remarks over, we may now proceed to an account of the copper position at the close of the war.

The demand for munitions during the war had led to a great expansion of the copper industry, and in 1917 American production was 50 per cent. in excess of the highest pre-war figure. High prices and the prospect of increasing war demands had encouraged investment in the expansion of existing concerns, and in new mines where costs of production were very high. Ninety per cent. of the increased output was devoted to war purposes. At the beginning of 1919 the war demand had ceased, but the increased capacity remained. Prices had fallen off considerably from their high level, and the selling price at this time was lower than the weighted average costs of production. Consequently production was reduced. But at the beginning of 1919 current output, though only 50 per cent. capacity, exceeded consumption. Nor was this the only depressing factor on the side of supply. The Allied and German Governments held large stocks of copper and scrap, which they were offering for sale, while American producers had been unable to sell their increased output during the latter months of

¹ A particularly pure native copper coming from the Lake Superior district.

1918, and themselves held large stocks of metal. These two sources of supply amounted together to more than the total world production of 1913, while consumption was not sufficient to absorb the current output. This was the position of the copper market at the beginning of 1919. I will first outline briefly the course of events in the years that followed and then proceed to a more detailed examination of the copper market year by year. Monthly prices of raw copper and of semi-manufactured copper goods during the period are shown in the two charts which follow. Chart I refers to American, and Chart II to English prices.

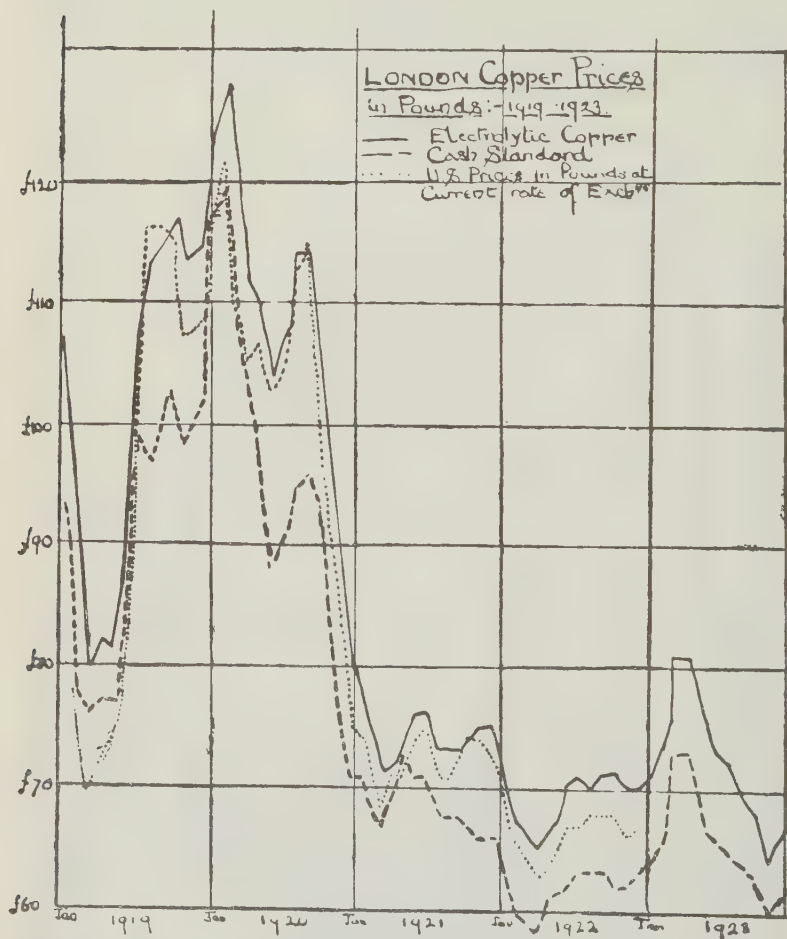
CHART I



In the post-war period the main factors on the side of demand were the decrease in European buying and the development of the electric trade in America; while the position on the side of supply

was dominated by the increased productive capacity and the abundance of stocks. During the years 1919-20 and 1921 the market laboured under this abundance and the lack of sufficient European demand. The large producers endeavoured to keep prices up in face of this redundant supply, but were only successful for a brief

CHART II



period in 1919. After this prices fell away until 1920, when the post-war boom brought a burst of activity to the consuming trades, and a period of stable prices to the copper producer. But the maintenance of prices encouraged output and did not facilitate the absorption of stocks, so that when the slump came these were still high, and prices had to fall still further. The very small demand

at this period and the excessive supply induced the producers to take drastic measures, and during 1921 there was a general shut-down of copper mines. This measure proved so far successful that by the end of the year the majority of the outstanding stocks had disappeared and the market had only to deal with current production. In 1922 and 1923 prices fluctuated considerably, but remained at a low level.

In these two years the electric trade in America expanded considerably and, at the low price level, that country consumed more copper than ever before. But European demand continued below the 1913 level. The potential supply, meanwhile, had greatly increased since that date, and every rise of price during the period resulted in increased production, which, in turn, reduced prices.

Thus it would appear that during the whole course of these five years the market suffered from the effects of over-investment during the war period. The high price of copper at that time had induced people to invest in high-cost mines, and when demand and prices fell, these mines became a source of loss to the investors and of instability to the market. Any rise of price called forth an increased output, and the following process was continually repeated: production exceeded consumption, stock accumulated, prices fell, and high-cost mines were again closed down.

The monthly price movements shown in Charts I and II require some further comment. As explained above, the year 1919 opened with large stocks on the hands of producers and of the belligerent governments,¹ and with production reduced to 50 per cent. capacity. Costs of production were 50-100 per cent. greater than in 1913, and in many cases were above the selling price of copper current at the beginning of the year.

In February there was a rise in the general index number in America, and from March to August the price of electrolytic copper rose sharply. During those months both consumers and producers expected heavy demands from Europe, and when the former began to replenish their depleted supplies of copper, the latter held up their stocks in anticipation of still higher prices. There was even talk of a scarcity of copper in America. But by August copper stocks in that country were almost as large as they had been in January, and the European demand had not materialised. Germany had sufficient stock to last her for a year, and the import of raw copper into France and Italy was prohibited. American demand was also limited, as consumers were doubtful of a European market for their products.

Meanwhile the rise in copper prices had outstripped that of commodities in general, so that relatively low costs stimulated production and stocks threatened to increase still further. By

¹ In April the U.S. War Board entrusted the United Metals Selling Co. with the disposal of their copper stocks, and the great bulk of the available supply in America was then concentrated in the hands of the large producers.

September the producers could hold out no longer, the smaller firms began to offer copper at lower prices and dealers and second-hands undercut the large producers. Thus began in America the heavy fall of electrolytic prices, which continued throughout the rest of the year. The price of semi-manufactured copper goods fell with that of the raw material, and the manufacturers in America continued very slack. In the autumn the brass trade was said to be working only 40-50 per cent. capacity. But during this half-year of falling copper prices, general trade continued to improve both in Europe and America, and copper exports to Europe increased to two-thirds of the quantity exported in the corresponding period of 1913. The embargo on imports to France and Italy had been removed in June, and both these countries bought copper in spite of large government stocks. Japan, who previously had been an exporter, also bought in the American market. Sales to England were also good, as manufactured copper was in great demand in this country, and makers were booked four or five months ahead. In November and December electrolytic copper in London was above American parity. During earlier months the American Export Association had charged prices for exported copper higher than those prevailing in the home market, but the export of copper from Europe to America forced them to reverse this policy in October. To European buyers, however, falling prices were offset by the appreciation of the dollar.

The position at the close of 1919 was as follows: World production exceeded that of 1913 by about 1 per cent. World consumption (as calculated by the deduction of stocks at the end of the year, from total production and stocks at the beginning of the year) amounted to 106 per cent. of the 1913 consumption. The amount of this total taken by each country is obscured by international transfers of government stocks, but see Table III. Stocks had only been reduced by 11 per cent. during the year, and amounted to nine months' supply at the 1919 rate of consumption. In 1913, when stocks were unusually high, there was only two months' supply on hand. In America, consumption (exclusive of the unknown quantity reclaimed from scrap, and withdrawn from government stock) exceeded that of 1913 by 19 per cent. But exports, which in 1913 represented 57 per cent. of refinery production, were only 27 per cent. of that total. The refinery production of new copper was 109 per cent. of that of 1913, while there was a considerable increase in the amount obtained from secondary sources.

The first six months of 1920 saw the end of the post-war boom, both in England and America. In England general prices began to fall in March, in America the turn came in May, though in neither country was the reduction severe until September. This was a period of active trade in the copper market. American consumption was 62 per cent. above the 1913 rate, and exports were nearly up to the pre-war level. The brass and electric trades

TABLE III.—CONSUMPTION OF COPPER (from the Report of the Metallgesellschaft)¹*Metre Tons, 00's omitted.*

	1913	1919	1920	1921	1922	1923
Germany ...	259·7	24·0	73·7	126·5	148·1	119·0
Great Britain ...	140·4	98·1	106·7	65·4	45·6	100·0
France ...	104·5	55·4	67·8	49·2	80·6	107·0
Austria Hungary ...	39·2	4·0	5·6	9·6	12·3	—
Russia ...	40·2	—	—	12·0	3·0	—
Italy ...	30·9	70·0	14·7	10·0	31·8	37·0
Belgium ...	15·0	9·0	7·1	2·4	5·9	—
Other European countries...	14·3	30·5	35·9	18·4	22·0	—
EUROPE ...	644·2	291·0	311·5	283·5	349·3	—
Japan ...	24·5	66·8	83·1	75·9	73·0	78·0
Other Asia countries	17·2	10·2	8·9	10·1	22·1	—
ASIA ...	41·7	77·0	92·0	86·0	95·1	—
AFRICA ...	7·2	9·2	8·0	7·0	8·0	—
U.S.A. ...	322·9	391·0	470·0	255·0	475·0	587·0
Other American countries...	22·0	46·8	47·7	18·3	40·4	50·0
AMERICA ² ...	344·9	418·6	543·9	223·5	527·6	—
AUSTRALIA ...	14·0	8·0	8·0	3·8	6·0	—
Total Consumption from above ...	1,052·0	823·0	936·0	650·6	974·0	—
World Consumption calculated from production and stocks ...		1,111·0	1,025·0	919·0	993·0	1,041·0

developed considerably in both England and the United States. Prices in America fluctuated within narrow limits. Production had been reduced during the period of falling prices to about 60 per cent. capacity, and the large producers refrained from pushing prices up, lest the small mines should be encouraged thereby to resume operations. On the other hand, a fall was checked by the narrow margin between costs and selling price. In England prices fluctuated with the exchange, and the highest copper prices were recorded in February, when the dollar (temporarily) reached a maximum. The price of manufactured copper goods, however,

¹ The Metallgesellschaft figures are calculated from imports, exports and home production. Consumption from, and movements of Government stock and of scrap, account for the divergence of the two estimates of total consumption.

² From U.S. Geological Survey.

remained steady and, as in America, at a high level above the price of the raw material.

The turn came in August. Twenty-five per cent. of exports in the earlier part of the year had gone to Japan, but in June that country began to offer copper for re-sale. Large amounts of scrap were still available, and consumption, though increased, was insufficient to take up the redundant supply. Producers were already finding it difficult to carry stocks, and when the demand for copper fell off, with the general collapse of prices in September, they could no longer maintain prices. The fall, once begun, lasted until March, 1921, when copper prices had lost 35 per cent. since the previous August. Until the autumn the electric trades in England and America continued to work nearly full capacity on past orders, but they bought little copper.

So the year closed with poor consumption in America, and with exports, which had amounted to about 42 per cent. of the refinery production in the earlier months, reduced to 30 per cent. or less. Although, with falling prices, production had been reduced to 40 per cent. capacity, stocks began to pile up, and at the end of 1920, producers in the United States held 502,000 tons, an increase of 100,000 tons in the year. Stocks in the hands of government, however, had been reduced to 82,000 tons, and the amount of scrap, though still considerable, had also been reduced. Total production and consumption during the year were both slightly lower than in 1913. In America costs had fallen slightly, as compared with the previous year. The refinery production was 101 per cent., consumption (exclusive of government stock) 140 per cent., and export 67 per cent. of the 1913 figures. The growth of the electric trade in America was an important factor in this increased consumption. In 1919 these trades took 41 per cent. and in 1920 47 per cent. of the total copper consumed in the United States.

The year 1921 was one of marked trade depression, both in England and America, and the demand for copper and copper manufactures was poor. From January to June electric industry in America fell off by 33 per cent., and the brass industry averaged about 60 per cent. of the 1920 output. In the United Kingdom unemployment in these two trades was severe. The wide margin existing between the prices of raw copper and of copper manufactures, checked any stimulus to demand which might have resulted from the low price of the former.

In view of the serious position, the large producers came to a general agreement at the beginning of the year for the restriction of output. By April most of the important mines had shut down and the stoppage became practically general throughout the United States, Canada, and Mexico. In addition to this, the Export Association entered into an arrangement early in the year, whereby 175,000 tons of copper, financed by the issue of 8 per cent. bonds, were taken off the market and held in reserve for export purposes.

The close of the year brought an improvement in the demand for copper (though general prices did not begin to rise until February, 1922), so that with a limited amount of new metal coming into the market, consumption exceeded production, and stocks were drawn upon.

World production during the year was about 56 per cent. of the 1913 output, and world consumption 87 per cent. of the 1913 consumption. By the close of the year practically all government stocks had been absorbed and only 90,000 tons of scrap remained outstanding.

In the United States refinery production was 63 per cent. of the 1913 output, and less than half the annual output of the war years. Consumption (exclusive of secondary copper from scrap) was 84 per cent. of 1913, of which total the electric trades took 56 per cent. Exports were at practically the same level as in 1920, for, though exports to England and France had fallen off, German takings had increased, and during the earlier part of the year were nearly up to the 1913 level. Stocks in producers' hands had been reduced during the year to 331,000 tons, of which 175,000 were reserved for export by the Export Association.

The effect of the higher prices established at the close of 1921 was, firstly, to check demand (causing thereby a reaction in price), and, secondly, to induce mines, whose costs had been reduced, to resume operations. Prices fell in America until April, but by that date general trade activity had revived, and the demand for copper improved until the close of the year. In the United States, manufacturers using copper enjoyed a period of activity. Rolling mills and wire plants operated at about 80-100 per cent. capacity and, as the scrap supply had been exhausted, they began to make inroads on copper stocks. By October the American Brass Co. (responsible for about 40 per cent. of American brass manufacture) was working at a higher level than at any pre-war period. Copper prices having risen in July, remained steady until December, while the margin between the price of raw copper and copper manufactures was reduced to about the normal pre-war level. In England unemployment in the brass and electric trades was reduced towards the end of the year, a certain number of orders being doubtless diverted from Germany, where the manufacturers' demand for copper began to fall off. Much of the post-war reconditioning in that country had been completed and, with rising costs, firms were less inclined to receive orders.

At the close of 1922 the position was as follows: World production during the year had been about 88 per cent. and world consumption 94 per cent. of 1913. No stocks remained in the hands of governments and the supply of scrap had practically disappeared. World stocks amounted to 319,000 tons, or about three months' supply at the 1922 rate of consumption.

In America consumption was 31 per cent. greater than in 1913,

and refinery output 16 per cent. less. Exports recovered to 70 per cent. of 1913, being 48 per cent. of refinery production, as compared with 56 per cent. in the earlier year. Imports from South America, produced at a low cost, increased during the year, and there was some anxiety as to their effect upon the market. However, the purchase by the Anaconda Co. of controlling interests in the Chile Copper Co. assured a united policy. Owing to the copper reserved by the Export Association, stocks during the year proved rather inadequate in the home market, while an excessive supply was available for export.

During the first months of 1923, in America, there was every appearance of a boom. Copper manufacturers worked at full capacity, consumption of copper was at a high level, and prices rose sharply. But European demand was poor, Germany taking a third only of her pre-war imports. Moreover, rising prices brought in new mines, and caused existing producers to expand, while low cost imports from South America continued to increase. In March the general boom was checked, the demand for copper slackened and prices fell until November.

Consumption in America, though still considerable, fell off as the year advanced and exports remained poor. In the United Kingdom there was severe unemployment in the brass and electric trades, while in Germany high costs and shortage of capital made electrification schemes impracticable.

Meanwhile falling prices failed to reduce output, as the smaller firms, finding their margins narrowed, struggled to keep down costs per pound by increased production. Thus, with consumption reduced and production at a high level, stocks began to accumulate in producers' hands.

World production during 1923 was estimated (*Economist*) at 1,115,000 tons, or 114 per cent. of 1913 output, and world consumption at about 1,041,000, or 93 per cent. of the 1913 consumption. The refined stocks on hand at the close of the year were about 150,000, and unrefined stocks in America 219,000, together these amounted to about four months' supply, compared with two months' supply held in 1913. In America, production of refined copper during 1923 is estimated at 960,000 tons, i.e., 132 per cent. of 1913 production, and exports at 80 per cent. of 1913.¹ Refined stocks in producers' hands were practically the same at the end of the year as they had been at the beginning. American consumption increased during 1923 to 162 per cent. of 1913.

This brings us to the present position of the industry, and the table on page 361 shows the world consumption of copper during 1923 and the preceding years. The main features of the present position made clear by these figures, are the reduction of European demand and the increase in American consumption.

With regard to the latter, we see that the United States, which

¹ Or 34 per cent. refinery production.

in 1913 took 30 per cent. of the world's copper consumption, now takes 50 per cent.¹ This large increase in the American demand seems due in great part to the development of the electric trades, which account for a large and growing proportion of the copper consumed in that country. The accompanying table, taken from an investigation made by the American Bureau of Metal Statistics, shows the distribution of copper between the various trades during the post-war years :

TABLE IV.—UNITED STATES COPPER CONSUMPTION

Distribution between trades from investigation by American Bureau of Metal Statistics.

	1919 Per cent.	1920 Per cent.	1921 Per cent.	1922 Per cent.
ELECTRIC INDUSTRIES :				
Electrical goods, generators, motors, lamps, etc. (exclusive of telephone and telegraphy purposes) ...	23	25	28	24.6
Telephone and telegraph ...	6.6	9.1	12	11
Light and power lines ...	4.4	4.4	7.3	8.8
Wire and rods... ..	7.3	8.8	8.5	8.3
	41.3	47.3	55.8	52.7
MISCELLANEOUS :				
Automobile	7.9	8.9	10.1	13.2
Buildings	5.0	5.1	4.8	6.7
Locomotives	.8	.8	.6	.4
Railway cars	.8	.6	.5	.6
Ships, commercial ...	8.3	4.6	4.2	.5
Ships, naval	1.8	1.0	.9	—
Bearings and bushings	6.5	6.2	3.1	3.8
Valve and pipe fittings	2.0	1.8	1.2	1.8
Ammunition	1.8	1.7	1.8	1.3
MANUFACTURES FOR EXPORT :				
Rods, wire, sheet, etc., and all similar fabrications of copper for export	7.4	7.9	7.9	8.7
Manufactures for export	12.9	12.2	5.7	7.4
Miscellaneous... ..	1.8	1.7	1.4	1.5
	20.3	20.1	13.6	16.1

The reduction in European demand is largely due to the decreased consumption of Germany, Russia and Austria. These three countries took 54 per cent. of Europe's total in 1913, and their consumption is now reduced by more than half. The economic position of these countries at the present time is sufficient explanation of this reduction in demand. German consumption alone accounted for a quarter of the world's total in 1913 (70 per cent. of this amount was for domestic use). But this demand, which showed signs of recovery in 1921 and 1922, again decreased after the occupation of the Ruhr. As to the rest of Europe, the French consumption, after a serious decline, has now regained its 1913 level. Consumption in Great Britain has also improved and is now nearly up to

¹ 1922, 49 per cent. ; 1923, 56 per cent.

the pre-war figure. As the following table shows, a greater proportion of the total consumption is now devoted to electrical uses:

TABLE V.—COPPER CONSUMPTION IN THE UNITED KINGDOM

	1913	1920	1921	1922	1923
Electrical ...	45,000	58,000	44,000	40,000	62,000
General ...	75,000	73,000	52,000	49,000	60,000
	120,000	131,000	96,000	89,000	122,000
Unaccounted for Absorption of scrap ...	20,400	—	—	—	—
	—	24,300	30,600	43,400	22,000
Official cons'ption	140,400	106,700	65,400	45,600	100,000

During the war the high price of coal brought about a great expansion in the use of electricity, and this expansion has proceeded since that date, so that the electric industry is now working at a higher level than ever before.¹

Thus, looking at world figures once again, we see that consumption in 1923 is slightly below the 1913 level, since the decrease in European consumption has more than offset the increase in American. But this amount of copper has only been consumed at a price which, in terms of other commodities, is considerably below the 1913 level. It is a price which only pays 80 per cent. of the producers engaged in the industry to put their metal on the market.

What, in these circumstances, is likely to be the future course of the metal?

To answer this question, let us first consider the prospects of supply. Developments in Chile are making rapid progress. When they are complete, the current price² (12-13 cents. per pound) will be sufficient (conditions of production remaining the same) to call forth an annual increase from this source of 100,000 tons. An increase of another 100,000 tons annually is to be anticipated from expansions in Katanga.

With prices at about their present level, production in North America must be very susceptible to price changes. It would appear (see Table II) that a slight reduction of price would be liable to reduce production by as much as 20 per cent., while an increase of 1 per cent. per pound would make it profitable to produce 10 per cent. more. A rise of 4 cents per pound would make a further 10 per cent. profitable, but a considerable rise would be needed before a greater output could be produced without loss. Thus,

¹ The high rate of unemployment in these trades during the latter part of this period does not indicate a reduction on the 1913 level of employment, but is reckoned on the increased numbers working in the trade since the war expansion.

² In 1923 Chile was able to market copper in New York at a total cost of 6 cents per lb.

conditions of production remaining the same, it would appear that, at present prices, we may expect an output of 800,000 tons from America (i.e., 70 per cent. capacity), plus 200,000 tons from the developments in Chile and Katanga. An increase of 4 cents in price might call forth another 200,000 tons, making an annual output of 1,200,000 tons in all from these three sources, and a world output of about 1,400,000.¹

On the side of demand we have two main factors: the possibility of recovery in the European demand and the future of electricity.

With regard to the latter, everything seems to point to the increased use of electricity, and the long period trend would undoubtedly appear to be an increased demand for the raw materials of the electrical industry. In the immediate future the progress of hydraulic installations and the electrification of railroads seem to promise a growing demand for copper. English firms are said to be booked for six years ahead with work of this nature. They are receiving orders both for home and colonial operations.

In America, as we have seen, the progress of electrification has already proceeded apace. In that country there have been at least two years of considerable trade activity since the war, in which electrification schemes for works, railways and domestic use have been developed. When one considers that once established, these installations wear out slowly, it would seem (failing the application of electricity to new uses) that the rate of expansion in the next five years is unlikely to exceed that of the last four. In that case we might expect a demand from America which would about keep pace with the increased production from Chile and Katanga, and this increased production, as we have seen, can probably be obtained at about the 1923 price.

What, meanwhile, is likely to be the future of European consumption? A recovery to the 1913 level would entail an increase of 200,000 on the present consumption, which (if American takings increase, as suggested above) would mean a world consumption of about 1,400,000 within five years. This amount, as we have seen, could probably be obtained without a very great increase in price. A consumption much above this level would necessitate an increase in the present capacity of the mines and (conditions of production remaining the same) could only be obtained at a considerable increase of price. When one considers the prospects of electricity, a recovery of European consumption, at least to the 1913 level, seems bound to take place sooner or later. Its immediate realisation appears to be largely dependent on the recovery of Central Europe, for, though England's takings may well increase, she would have to double her present consumption to make up for the loss in German demand since 1913.

In these circumstances, unless we have an unexpected improvement in European conditions, there seems little ground for antici-

¹ i.e., allowing 200,000 tons from the rest of the world as in 1922 and 1923.

pating an immediate increase in the price of copper. On the other hand, the long period tendency would appear to be a growing demand which could not be satisfied by existing mines, and which would mean an increase of price. The manner in which this demand is spread through time will closely concern the prosperity of the industry. It is the initial installation of electric schemes which makes the great demand on copper, for the wearing out of cables, transmission lines, etc., is a slow process. Consequently, a period of great demand for electrification might well be followed by a period of falling demand for copper. Then, if high prices during the period of activity have induced further investments, we may again see the producers forced to restrict output below capacity and to undergo the resulting loss on capital which has been characteristic of the last five years.

Book Reviews

Labour Supply and Regulation. By HUMBERT WOLFE. Economic and Social History of the War; Carnegie Endowment for International Peace. pp. xiv. + 422. Oxford, 1923.

Mr. Wolfe is a distinguished writer and played a large part in shaping and carrying out the policies he describes. The expectations that are excited by such a combination are, however, disappointed. *Labour Supply and Regulation* is deliberately, and almost inevitably, dull. The mass of detail that has to be crowded in makes it difficult to present a lucid and dramatic narrative without sacrificing proportion and objectivity. It is to be hoped that some day Mr. Wolfe the author will give a frankly personal view of the events in which Mr. Wolfe the official was involved; in the present volume the author appears only in an occasional epigram, and the official not at all.

While regretting the book that Mr. Wolfe alone could have written, we can nevertheless be grateful for a very useful piece of history, indispensable to the student of labour problems. It is not so detailed as the Official History of the Ministry of Munitions, but it is full enough for most purposes. It is objective and impartial. The failures of the Ministry of which the author was an official are admitted, and the reason of them—the administrative impossibility of the task thrust upon it—amply established. If I suggest a different view of certain events, a different emphasis or an alteration in unimportant detail, it is only because I recognise the importance of the book as the standard account of its subject.

Part III begins with the statement, "In passing . . . to Labour Regulation we pass . . . to a region where foundations at any rate were laid clearly, logically, and with what subsequent events showed was remarkable foresight." This eulogy of the Munitions of War Act seems excessive. The Act was an ingenious compromise between the conflicting desires of employers, labour and Government; it was probably as good a measure as was possible under the circumstances; but there was a good deal that was obscure in it, and a good deal that it omitted to provide for. The difficulties of administering it were due largely to the extraordinary difficulty of demarcating a class of workers for special regulation. On pp. 122 and 130 this difficulty is illustrated; and the failure of the Government to control wages effectively was due largely to the impossibility of using simultaneously and to the same end provisions in the Act which referred to different categories of workers. Munition workers for the purpose of Part I were a differently defined class from munition workers for the purposes of sections 7 and 10; these

again were a different category from workers in Controlled Establishments, to whom alone the Ministry's powers of directly controlling wages under section 4 (2) applied.

This confusion of spheres of regulation, explicable only by reference to the negotiations that led to the Act, suggests that the fundamental character of the wage element in the problem of Labour Control was not perceived so early as Mr. Wolfe implies. The Government made little administrative provision for controlling wages before 1916; it trusted too long that wages could be left to settle themselves, with such assistance as compulsory arbitration could render; with the result that wages were probably beyond control when the Government began seriously to impose control. In retrospect it is clear that a policy of Government neutrality in wage-issues was bound to fail, once the employer's normal incentive to resist wage claims was removed; the crucial decision, therefore—Mr. Wolfe mentions it, but does not stress it—was the Minister's decision in November, 1916, to treat wage advances due to Government action as increases in costs justifying increased contract prices. Thenceforward, if wages were not to vary simply with the transient bargaining strength of different groups of workers, the Government Labour Departments would have to control them; and for this task they were not equipped.

Before this concession the Government had a sort of plan—to leave wages to be settled by the ordinary methods of collective bargaining, with resort to the Committee on Production in place of the strike; and the Committee of Production was endeavouring to maintain the pre-war relations between wages by granting uniform cost of living advances. Labour confidence in, and support for, this plan was, however, destroyed when the Cabinet interfered with the judicial independence of the Tribunal, and for several months restrained it from granting advances. This crucial action also might have been emphasised in the narrative. Another error, duly chronicled, but hardly emphasised, was the pledge in the autumn of 1915 to prevent change of piece-rates. With production changing as rapidly as it did, the effect of the pledge was to secure to lucky individuals piece-work earnings out of all proportion to their efforts, and so to lead inevitably to the "skilled time-workers' grievance" of 1917.

Mr. Wolfe deals gently with the succession of committees set up to effect dilution, regulate wages, and generally to do the Ministry's work for it. The space given to them would have been more usefully given to a fuller description of the administrative organisation, especially in its decentralised form, by which the Ministry achieved dilution and some regulation of wages and conditions. It is hardly an exaggeration to say that the Treasury Agreement was quite ineffective until the Ministry's dilution commissions and dilution officers got to work; and it may be doubted whether even they could have secured the admission in such numbers of women and

unskilled men to jobs on which skilled men were employed before the war, had not the policy of building national factories provided a new field of employment where there were no strong vested interests.

Perhaps it is discretion that understates the opposition the Ministry had to overcome in securing an increase in the output of munitions. To the same discretion may be attributed the moderation with which are treated the mistakes of the big armament firms in the early months of the war, when they bid against each other wildly for labour and sought to drain other firms of their skilled men; the futility of setting up a separate Shipyard Labour Department; the disturbing effects on wage-control of the Building contracts of the department; and the devastating results of the Coal Controller's action (not Mr. Churchill's) in "butting in" with an entirely unco-ordinated advance to miners in September, 1917. More credit might have been claimed for the Ministry of Munitions, for its attempts to correct the deficiencies in the Hills Committee's recommendations that led to the famous 12½ per cent. bonus, and to control the avalanche of claims that those deficiencies let loose.

The statement on p. 106 that no attempt to use section 4 (5) of the Munitions Act to enforce payment by result seems to be an oversight. The "model rules" drawn up by the E.E.F. included a provision requiring workers to work piece-work if ordered to, and it needed a Munitions Tribunal decision (*National Projectile Factory v. Fagan*) to check this attempt. Is there any ground for identifying, on p. 132, the old-established journal *Forward* (suppressed for too faithfully reporting Mr. Lloyd George's interview with the Shop Stewards) with *The Worker*? The description of piece-work price fixing on p. 265 seems much too sweeping. Piece-rates are fixed on a district basis by collective bargaining in many trades; in others the difficulty of securing some uniformity of payment between shops with differing conditions is overcome by such methods as the piece-work basis time-rate, or the "county average." In the conclusion, does not the statement on p. 299, that the salient features of the carefully prepared plans of demobilisation were preserved, under-rate the dislocating influence of modifications introduced during the 1918 Election campaign? It was the trade boom rather than previous preparations that led to the prompt absorption of men as quickly as they were released from the army.

These, however, are small points of detail, and do not affect the value of the book as an authoritative record of a most important administrative experiment.

HENRY CLAY.

Boss Platt and his New York Machine. By HAROLD F. GOSWELL. With an introduction by CHARLES E. MERRIAM. University of Chicago Press.

It is a hopeful sign that social psychologists are now beginning

to study the problem of political leadership by making detailed historical surveys of the methods of successful politicians. This is probably a much more useful avenue of investigation than that which is opened up by a general discussion of "herd-instinct." Dr. Goswell has not contributed any very new or striking ideas to the subject, but he has gathered together much useful information in a readable way and illuminated an interesting passage of history.

His object is to trace the methods by which two such opposite types of leader as Senator Platt and President Roosevelt won and retained their political power. After the decline in the domination of Tammany Hall in the 'nineties, the control of New York State fell completely into the hands of the Republican machine, automatically managed by Boss Platt. He is described as an insignificant-looking little man with a hunched-up and unprepossessing appearance, a parchment-like skin, a "soft" voice and a listless manner. He had no trace of personal "magnetism." He was also unique, said one observer, in "having never, by spoken or written word, declared the shadow of an opinion concerning any of the vital issues of the time." His control was due to his single-hearted devotion to a task from which most men sometimes shrink, and for which he was particularly fitted by his great knowledge of the individual weaknesses of his colleagues and by long experience of the arts of management. These arts consisted mainly in using the State machine to control nominations, elections and legislation, in personal arrangement of patronage through his influence over the President, the Governor and other officials for whose appointment he had commonly been largely responsible, in managing the party funds through his alliance with the great corporations who supplied them, and in influencing the minds of voters by "jobbing" with friendly newspaper editors and "disciplining" those who were refractory.

In striking contrast was Roosevelt, who, having been made Governor of New York by Platt, continued to co-operate with him in many directions, but proved "intractable" because he knew that his real power came not from the party machine which had served his purpose, but from his possession of those boisterous qualities of leadership which Platt so conspicuously lacked. Against his appeals for popular support, says Dr. Goswell, "the old régime had not constructed any adequate defensive armour."

The machine, however, proved strong enough to "shelve" Roosevelt into that honourable sinecure, the Vice-Presidency. Platt congratulated himself that all was well. But two unexpected things happened: the new Governor of New York, whom Platt appointed because of his safe characteristics, proved even more intractable than Roosevelt, while the latter, owing to the providential assassination of Mackinley, became the President and darling of the American people. The subsequent humiliation of Boss Platt was not the less individually tragic because it was socially beneficial.

Dr. Goswell's account is not inspired, but it is very informing, and anyone who wishes may learn from his book many incidental things, such as what it is to be "available," to "exercise an omnibus veto," to be an "anti-snapper," to attend a "Sunday School," and a "breakfast conference," to "bolt a ticket" or "jump a caucus" and to use a "boiler-plate editorial."

B. K. M.

India: a Bird's-Eye View. By LORD RONALDSHAY. Constable. 18s. net.

Democracies of the East. By Professor RUDHAKAMAL MOOKERJEE. P. S. King. 15s. net.

Labour in Indian Industries. By G. M. BROUGHTON. Humphrey Milford. 9s.

Report of an Enquiry into Agricultural Wages in the Bombay Presidency. By G. FINDLAY SHIRRAS. Labour Office, Bombay. Rs.2.9.

These four volumes represent four widely divergent methods of approaching the "Problem of India." Lord Ronaldshay presents us with a series of vivid descriptions of the many aspects of Indian life—physical, ethnological, historical, artistic, economic and religious—and discusses, with admirable selective powers, certain problems of first-rate importance, such as that of the Frontier and that of the intellectual cause of the "tired pessimism of Hinduism." Professor Mookerjee has performed a real service by producing this deeply interesting study of the political mind of the East; Miss Broughton gives a valuable detailed description of modern industrial India, whilst Mr. Findlay Shirras' Report presents, in convenient form, valuable figures which throw much-needed light on present-day economic conditions and tendencies in the Bombay Presidency.

One outstanding conclusion about the economic condition of India emerges from the perusal of the first three of these otherwise very different works; namely, that Indian economy, no less than Indian political development, has reached a critical stage, the outcome of which is still highly problematical. The economic transition at present taking place in India presents features and problems differing widely from those of other countries which have passed through the valley of industrialisation. India has not avoided intimate contact with Western influence, but—unlike Japan—neither her heart, nor her head, nor even her purse, has as yet become Westernised. It is undesirable that India should pursue that "Will-o'-the-wisp," the Handicraftsman's Paradise, but it is extremely likely that she will eventually produce a form of social and economic organisation differing vitally from anything to be found at present in the British Empire, in Europe or in America.

Lord Ronaldshay has both the gift of sympathy and the faculty of expression. His book deserves to rank amongst the very best general introductions to the study of India. It is impossible for the

British to command respect and confidence in India, unless they display sympathy, insight and appreciation. Lord Ronaldshay possesses these qualities, and, moreover, he makes it clear that agreement in every particular is not a prerequisite of understanding, and that appreciation is not synonymous with glorification. His "Bird's-Eye View" leads us from "First Impressions" and explanatory descriptions through a description of the "Problem of the Frontier" to an historical account of the various invasions from the West. He emphasises two outstanding results: the introduction throughout India of an administrative system of a Western type, and the introduction into a country essentially agricultural of the industrialism of Europe. There follows a description of Indian development under the influence of these two factors, including a most illuminating account of local self-government, and a review of India's present economic position. Finally, after a series of "Pictures from an Ethnic Pageant" and an account of the Mohammedan question, Lord Ronaldshay considers the basis of the whole Indian social system, namely, the Hindu religion and philosophy.

Professor Mookerjee—stating that the comparative study of group formation and conflict is one of the great needs of modern political science—analyses the foundations of various Eastern States and compares them with Western Democracies, thus approaching the much-discussed subject of the Pluralistic State from an unusual angle, starting from the thesis—for which indeed there is much to be said—that "Humanity all over the world is imprisoned in a bleak institutional orderliness of a mechanical and exploitative type of State. And nothing is more needed to-day than a new principle of social constitution which will once again orient man and his allegiances in natural and elastic groups for a freer expression of his gifts and instincts,"¹ he urges that the materials of indigenous self-government in India have been ignored, without due examination, and goes on to elaborate his vision of "a new species of popular sovereignty based on autonomous village communes," which apparently is to be the constitutional saviour of India, if not of the world. What he fails to do is to make any suggestion as to how we are to set about re-orienting the indigenous self-government of the East.

Miss Broughton—who has had exceptional opportunities of personal observation of Industrial India—starts with a general survey of Indian economic conditions and tendencies, and then describes in detail, province by province, the sources of the industrial labour supply, the demand for that labour, and the conditions and laws under which it is carried on. The present moment is in one way propitious, in another unpropitious, for such a survey. Propitious, because considerable interest and attention have lately centred upon India; unpropitious, because the facts and figures

¹ p. xxvi.

from which Miss Broughton attempts to draw conclusions and exhibit tendencies, in reality only illustrate temporary fluctuations. Miss Broughton speaks of the examination of export and import statistics as "one of the best methods of testing India's advance industrially," and then quotes figures which might lead one to suppose that the causes which have hitherto hindered industrialisation in India are rapidly disappearing, if they have not already disappeared. This conclusion is not legitimate, as before using the figures quoted as a criterion of progressive industrialisation, allowance must be made for the influence of stock replacement and a temporary boom. Conclusions concerning permanent tendencies in India can hardly as yet be drawn from post-war statistics. Professor Mookerjee gives one a very different impression. India's foot is not yet firmly planted in the narrow path of Westernisation and industrialisation. Lord Ronaldshay supports this latter view when he says: "The industrialism of the West still remains to a large extent exotic upon Indian soil. . . . I find it difficult to escape from the conclusion that the organisation of industries on the lines evolved by Western nations . . . is something which is altogether alien to the genius of the Indian people."¹

High praise is due to Mr. Findlay Shirras for his compilation of the second series of detailed statistical inquiries into wages and hours of labour in the Bombay Presidency. It is in particular satisfactory to note that there has been a distinct rise in real as well as in money wages since 1900 for all classes of labour, and that there has been a tendency for the hours of labour to decrease.

VERA ANSTEY.

Generating Economic Cycles. By H. L. MOORE. The Macmillan Co. 1923.

"The business of economic science, as distinguished from economic practice, is to discover the routine in economic affairs. It seeks to separate out the elements of the routine, to ascertain their interrelations and to use the knowledge of their connections to anticipate experience by forecasting from known changes the probabilities of correlated changes. What light can economic science throw upon the problem of forecasting the yield of the crops? The problem is fundamental, because the alternating bounty and niggardliness of nature initiate changes that are reflected throughout the entire economic organism."²

This is Professor Moore's confession of a faith in the patient service of which through many years he has accumulated a body of evidence bearing upon cyclical variation in agricultural yield and its connection forward with industrial activity and backward with meteorological and ultimately cosmical changes. The present work, which deals primarily with the origin of agricultural cycles,

¹ pp. 161, 163.

² *Political Science Quarterly*, June, 1920, p. 205.

is both sequel and forerunner to Professor Moore's earlier work, *Economic Cycles*, which deals primarily with the relationships between agricultural and industrial cycles. In both studies Professor Moore uses the evidence that he has accumulated, not only for purposes of descriptive generalisation, but also as the point of departure for a causal analysis of the connections indicated. In the introduction to the present book he says: "While (therefore) in the quest of cycles, I have always tried to scrutinise the data by means of impartial mathematical devices, I have not remained content with empirical results, but have pressed on in search of real causes" (p. 11). And so in the book itself, we find not only an accomplished statistical treatment of data of crop yields in various countries, of mineral production, of prices, of rainfall, barometric pressure and tree growth, but also a discussion of the competitive law of price and of the nature of electro-magnetic forces.

The significance of Professor Moore's work seems to me to rest in large measure in this combination of the use of a suitable technique in the reduction of observations relating to an economic problem, with the offer of a tentative explanation, in terms of cause and effect, of the results obtained. Until very recently, examination into economic fluctuation proceeded for the most part either by deduction from premises suggested by particular examples or by the amassing of quantitative information applied, if at all, with inadequate tools of inference to a specific inquiry. Professor Moore's methods seem to be an approach to those which Jevons hoped for in pleading for the investigation of commercial fluctuations by "methods with which we are familiar in other complicated sciences." While investigations into dynamic problems in economics are probably only at their beginning and the ground is still largely unprepared for the application of methods from other sciences which themselves require adaptation and development appropriate to their new uses, nevertheless the work of Professor Moore and that of Professor Wesley C. Mitchell represent in their respective ways the first full fruits of the field of inductive inquiry into economic fluctuations. Professor Moore has not shirked the labour involved in separating as exactly as may be at present, the various suspected tendencies in his data (whether by the fitting of higher order parabolæ or the employment of Fourier analysis), nor has he hesitated before extensive researches into physical records and writings in Europe and America. Moreover, to his study he has brought imagination, a capacity for selection and a clear style.

What, then, are the conclusions drawn by Professor Moore from his investigations? From the analysis of his data, he infers the presence of a marked cycle of about eight years in the yield of American farms and mines, in the production of British and French cereal crops, in the prices of crops in the United States and of general commodities in Great Britain. These cycles he discovers to be

approximately congruent with one another and with meteorological cycles of a similar length, which he finds in rainfall in various parts of the United States and in atmospheric pressure in the United States and Central Europe.

The agreement in variation among these divergent phenomena is sufficiently arresting in itself. But it also stirs curiosity along lines which Professor Moore indirectly indicates. The first falls within the phase of the inquiry dealing with production and price. The inter-relationship between local yield and price seems to vary in intensity for different crops according to the existence of other areas of production and a world market (p. 23). The question arises as to whether this is due to differences in the elasticity of demand for different crops or to differences in yield conditions in a particular crop in various areas. For example, is the low correlation between the yield and price of American wheat due to counteracting production conditions from important sources such as Russia and the Argentine, or is it a matter of the responsiveness of the consumption of wheat to a common rise and fall in output in all producing areas? The same question is raised by the small amplitudes found by Sir William Beveridge for cycles of about eight years relative to those of other lengths in his examination of *wheat prices* in Western Europe,¹ as compared with the larger relative amplitudes for cycles of about eight years found by Professor Moore in the *yield of wheat* in the United Kingdom and France²; although it is possible that differences in method of eliminating trend (moving averages and plotted curves respectively) may in some measure explain the results as also the differing intervals of time covered. It is noteworthy that Sir William Beveridge's amplitudes are distinctly greater for the second half of his sequence of years.

Again, as to the relationship between meteorological forces and agricultural yield, further investigation is wanted which recognises possible local differences depending upon a complex of circumstances such as Professor Moore points out in the case of the Dakotas,³ where good crops, because of the general aridity of the region, are associated with rainfall above normal, while the contrary seems to be true for Western Europe, according to Sir William Beveridge's investigation.⁴

Such detailed investigation, by which more general results finally stand or fall, is here, as everywhere in science, always open to those with sufficient industry and interest. For the broad uniformities already discovered, however, Professor Moore has supplied an ultimate explanation which bids fair to command most attention

¹ *Journal Royal Statistical Society*, May, 1922, p. 458.

² *Id.*, May, 1920, p. 454. The results of this paper are incorporated in Prof. Moore's book, p. 26.

³ *Political Science Quarterly*, June, 1920, p. 208. The results of this paper are incorporated in Prof. Moore's book, p. 26.

⁴ *Journal Royal Statistical Society*, May, 1922, p. 447.

among his conclusions. In essence it is as old as men's myths of the stars :

"Alma Venus, cœli subter Pabentia signa quae mare navigerum,
quae terras frugiferentia concelebras, . . ."

According to Professor Moore, the ultimate cosmical cycle generating the meteorological cycles from which the agricultural and industrial cycles are in causal succession derived, is that of the planet Venus which " thrusts itself at intervals of eight years almost exactly in the direct path of radiation from the sun to the earth " (p. 102). Moreover, since the period of rotation and revolution of this planet are presumably the same, Venus,

"Like the sunflower, which turns on her God when he sets,
The same look which she turned when he rose,"

always presents one face to the sun, and hence may be expected to be " in meteorological commotion on a vast scale," and to " affect terrestrial weather either directly through magnetic or electrostatic influence upon the Earth, or indirectly through magnetic or electrostatic influence upon solar radiation on its way to the Earth " (p. 121).

Professor Moore thus not only points to coincidences but also supplies a reasoned analysis of the physical causes that may be held to be involved in establishing the coincidences. The economist can only praise the ingenuity of the explanation as a whole and recognise that it is in accord with the growing tendency of the explanations of the physicist to run in terms of electro-magnetic forces. It remains for the physicists themselves to answer Professor Moore's challenging query: " Will the theory of the cosmical origin of generating cycles, like Kepler's theory of the cosmical origin of terrestrial tides, incur the scorn of eminent critics and receive an adequate development only after two hundred years? "

M. TAPPAN.

The Collapse of Central Europe. By K. F. NOWAK. Kegan Paul. 1924. pp. viii.+365. 15s. net.

Revolution and Counter-Revolution in Hungary. By OSCAR JASZI. P. S. King and Son. 1924. pp. xxiii.+240. 15s. net.

Dr. Nowak's earlier valuable work, *Der Weg zur Katastrophe*, while analysing in some detail the process of decay in the Hapsburg Monarchy during the first three years of the Great War, treated the final stages in a disappointingly summary fashion. For that neglect the author has now made ample amends, for his latest book, now presented in English dress, deals exclusively with the events of 1918. But there is a great difference in scope between the two books.

Dr. Nowak's proper subject is the Hapsburg Monarchy ; there he can tell us much from personal experience and much from intimate acquaintance with leading actors in the drama, such as Conrad von

Hötzendorf. But he probably felt—and rightly felt—that the story of the final collapse of the four Central Powers can only be comprehended as a unity. In view of that two courses were open to him—to take the story as a whole and attempt to treat it irrespective of his special knowledge, or to be content to present that knowledge as a partial contribution to be later utilised by the general historian. But Dr. Nowak seems to have been unable to choose.

The chapter on Bulgaria is less open to objection, so intimately were the Bulgar and the Austrian collapse connected and so scanty the available information on the former. But this is less true in the case of Germany. Certain German episodes are treated in considerable detail, the Brest-Litovsk negotiations, Ludendorff's decision to ask for an armistice, and Prince Max of Baden's rôle in the democratisation of the Government to meet the wishes of President Wilson. What is said is usually worth saying, but there is some danger of being led to suppose that we have a full and proportionate account of the German side of the general collapse.

The author has allowed the subjects in which he is personally interested to get out of proportion, yet he includes very much which can only be based on second-hand evidence, and there is no indication where the personal contribution begins and ends. Thus, when his statements conflict with first-hand evidence from other sources, it is difficult to know how to assess the value of Nowak's work.

A still more curious vagary is to be seen in the long digressions. The book professes to deal with the events of 1918, yet the dismissal of Count Czernin makes an excuse, not for a brief résumé, but for a detailed account of the Sixtus affair of 1916-17. Similarly, von Kuhlmann's dismissal gives the opportunity for a sketch of his achievements, which brings us back to his negotiations with Haldane in 1911 and so affords an opportunity for a full account of that statesman's personality and work, and of Anglo-German relations from 1896-1914. Thus, after the account of the dismissal of von Kuhlmann, there are twenty-five pages before we come up to Brest-Litovsk—with which the book professedly begins—and another fifteen before we again arrive at the dismissal of von Kuhlmann.

It is hard to know what to say about this sort of thing. Not even in his widest excursions does Dr. Nowak fail to say something new and say it extremely well, but one could not easily find a book of which it would be less easy to say what it contains and where to find any given point, and it does not help in the search to have no index at all and chapter-headings as vague as "Crises" or "Shells and Tanks."

There are a certain number of faults of detail—some of them probably from the translator's hand. Turn-table guns "executing a curve of 180°" raise problems either in mechanics or English, and long-range guns firing and "within the briefest time imaginable

firing in the opposite direction " must have had somewhat limited uses even in a salient. Nor is one more inclined to believe that it was Nowak himself who heard Lord Haldane boasting that he had reorganised the British army " according to Hegel " after reading the description of Haldane's " small stature and frail body." After that, Haldane's introductory commendation of the book has an added piquancy.

It is not correct to suggest that the British Government had not been consulted over the Bagdad railway before the 1914 negotiations, nor is it a fair statement that, as a result of that agreement, the shipping on the Tigris and Euphrates was no longer to be a British monopoly. There are some small errors of date, e.g., of the British attack on Bapaume in August, 1918. But these are but minor blemishes on what is, after all, an excellent book.

Nowak ends his story with October 27th, 1918, the day of the Hapsburg demand for a separate peace, and the day following Ludendorff's dismissal. Save for a short introduction, Jaszi's book may be said to begin from that date. But its scope is far more definite and limited. Nowak gives rather less than due weight to Hungarian affairs, and then treats little beyond the problem of nationalities. Jaszi from first to last is concerned only with Hungary, and his chief interest is not in the struggle of nationalities but of Radicals, Reds, and Whites.

There is also a difference in method. Nowak is primarily a narrator, such analysis as he gives is incidental, such political bias as he has—and it is remarkably little—is to be seen in the omissions in his narrative. Jaszi, too, is a narrator and, at least in the first half of the book, he is dealing to a larger extent with personal experience, but he is also a philosophic analyst, both of political theories and of crowd psychology. A good opportunity for comparison is offered by the analyses of Bolshevism in Nowak's chapter, "The Ideas of the Time," and Jaszi's "The Psychology of the Movement," and there can be no doubt which is the more profound.

But Jaszi is also an apologist. As one of the chief supporters of Karolyi, he is committed to the thesis of the goodness of the Radicals. His book is first a defence of Karolyi against the charge of having wilfully or carelessly prepared the way for the régime of Bela Kun and the Hungarian Bolsheviks; secondly, it is a full-blooded attack on the régime which replaced it, an attack directed not only against the acknowledged horrors of the White Terror which marked Horthy's return, but also against the more settled government of Horthy and Bethlen up to the end of 1923. But the author's sympathies are undisguised, so that necessary corrections can easily be applied. Further, as the Hungarian Government, obedient to the general post-war rule that the less settled the government the greater its propaganda abroad, has taken every opportunity of giving its version, a really able counterblast is to be heartily welcomed.

Even in the apologia for the Karolyi Government, Jaszi's critical

spectacles are not mislaid, and he reveals the weaknesses of his hero with reassuring candour. It is well that he shows this impartiality, for otherwise the dozen pages of detailed tortures and atrocities of the "White Terror" would surpass belief. As it is, one can only take comfort in the thought that the Magyar is a Mongol, half-brother to the Turk; apparently his Christianity and his western culture are alike apt to prove a veneer when opportunity occurs for a reversion to type.

Although, for an apologia, this book is of remarkable impartiality, there is some room to complain of the effect of its beginning where it does—with the October Revolution already imminent. It is very true, in answer to charges brought against Karolyi, to say that his recall of Hungarian troops from the Italian front to safeguard the Hungarian frontiers did not seriously affect the general military collapse; it is true that that collapse was virtually complete before the actual day of the October Revolution; it is true that it was deserters already returning from the Hapsburg armies who played a chief part in carrying Karolyi to power; but it is unfair to omit the fact that Karolyi was only too willing to accept power from such supporters, and that the proclamations and "defeatist" speeches of Karolyi and his associates had done much to bring about the epidemic of desertion and mutiny. The troops, to be sure, were in any case outnumbered, munitions daily more deficient, Czechs and Croats already organising independent governments and recalling their nationals from the armies, but there might still have been possibilities of delay and parley if the Austrians and Hungarians had held firm and held together, and Karolyi's opponents may be excused if they regard his actions both before and during the October Revolution as removing the last chance of obtaining from the Allies an armistice short of unconditional surrender. On the whole October Revolution Jaszi is, indeed, invaluable, but he should be read side by side with Andrassy and Windischgraetz.

L. G. ROBINSON.

The World War and After. By Sir H. J. MACKINDER. George Philip and Son. 1924. pp. xvi.+286. 3s. 6d.

Sir Halford's disarming introduction tells us how this book was written to complete his well-known series of school-studies in history and geography, and how he was unwillingly convinced by his publishers of its probable appeal to a far wider public. On the section on the World War—two-thirds of the book—one can heartily endorse the publishers' verdict. It is something of an achievement to present all the main features of the great conflict in 50,000 words of simple language, and with an abundance of admirably-chosen illustrations and of maps which are models of wise simplification.

From the military and geographical standpoint the proportions and perspective are excellently maintained. On the political side

the picture is less satisfying. We move in the realm of "heroes and high-minded men." There is no particular horror in war, secret treaties go unmentioned or are mentioned in the most innocuous way. It may be good to teach the adolescent that international politics are as simple as this, that nations auctioned by unscrupulous statesmen to the highest bidder are "heroic little countries" if they come in on the right side, and that any objectors to the transaction are merely evidence of German intrigue; it may be well to disguise how often "heroes" are sacrificed by incompetent leaders, and how often the appointment of those leaders, and even the ordering of their campaigns, has become a question of party politics of the least reputable kind. We should, at least, be able to bear the truth about Russia, and Italy, and Greece, the truth about war-causes and secret treaties.

Yet the political judgments are but side-issues in this book, and differences on them need not blind us to the very great value of this concise summary on the strategic side. Purely military histories are notoriously unreadable to the layman; on the other hand, the retailer of picturesque battle-details usually leaves one quite hazy on the major issues. We have here, however, evidence of the author's exceptional capacity to present an account at once simple, succinct and scientific, but the book itself would be the better for a recasting, omitting the political and diplomatic references which seem to complete the picture and do not, and omitting the picturesque details which are quite in place in a school-book, but are merely irritating to the adult reader who has himself lived through the period. In such a recasting, much of the last third of the book might have gone. It is mainly an elementary sketch of the political geography of the world after the war, admirable in itself, and quite in place in the series for which it was originally designed, but of doubtful relevance in its present setting. It contains many proofs that the capacity and value of the author's "visualising faculty" are not diminished, but also many elementary statements apt to prove wearisome to anyone who has followed even cursorily the newspapers of the last five years. There is a good index.

L. G. R.

Guide to Current Official Statistics of the United Kingdom. Volume II, 1923. H.M. Stationery Office. 1924. 1s.

Now that official publications are so dear, this cheap guide is of special importance. By it a student can find not only what official reports on statistics exist in relation to the subject in which he is interested, but also a very brief statement of the nature and range of the information available. The present number contains an important Appendix in which the principal publications from 1900 to 1922 (inclusive) are indexed.

A few minutes are required to master the method of the index.

Suppose, for example, one is interested in the number of Old Age Pensioners. They do not come under P—Pensioners—in the general index (p. 130) as one might perhaps first try. The outline list (p. 6) suggest Social Services as a possible generic heading, and turning to this on p. 160 one finds “See under Old Age Pensions.” Under letter O (p. 126), we have under Old Age Pensioners, “number at each amount of pension—E., W., S., I.—last Friday in financial year—1922-23 and 1908-9 to 1922-23 (C.)” and “total—U.K., E., W.—last Friday in 1922-23.” By reference we learn that these details are to be found in the Fourteenth Report of the Commissioners of Excise or in the Fourth Annual Report of the Ministry of Health. Now we turn to the appendix and under Old Age Pensions are referred to Poor Law Relief, and then find that in 1912 statistics were given for certain areas in England and Wales in the Parliamentary Paper, Cd. 7015. We should not, however, learn from this that in fact the Excise Reports used to give the classification of numbers by towns, etc., though they now give no smaller units than England, Wales, Scotland and Ireland.

In fact, it is not possible, however well arranged is the index, to give in a convenient and small compass much more than an indication where statistics are to be found, and it is very difficult to see how the guide could be improved in form or contents without undue extension.

A lamentable entry that frequently occurs in the appendix is “Out of Print. Annual, but discontinued; the above is the last issue.” It is satisfactory to find, however, after the *XVIIth Abstract of Labour Statistics* a change to “Annual, but suspended; . . . publication is about to be resumed.”

We hope that neither phrase will be applicable to this guide, but that we shall continue to have it every year.

A. L. B.

Co-operative Movement in Russia. By ELSIE TERRY BLANC.
New York: Macmillan. 1924. pp. 324.

Even for a tolerably well informed person the perusal of this book is a heavy task. From the survey of Russia in the nineteenth century, which forms the first chapter of the work, it appears that the authoress has absolutely no knowledge of Russia nor of economic history in general, and is totally dependent upon the authorities apparently chosen for her at random. Her study of the co-operative movement in Russia bears the same stamp of passivity. Such an attitude towards a carefully selected set of authorities would not in itself be devoid of some sort of value, but here we are led by an inexperienced hand towards a glorification of the international as well as national aspects of the Russian co-operative movement under Soviet rule.

The gist of the book consists in showing the prevailing importance of the commercial interest over the universal communistic scheme,

and apparently, the authoress believes, without giving much evidence, that the spirit of the economic and educational activities of the Russian co-operative movement are sterilising the communist policy. This, indeed, is an important problem, to the solution of which the book under review is certainly no contribution. While being almost valueless to the scientific student this monograph is a significant phenomenon for the present time and is practically an unreserved advertisement for the activities of the Arcos in London and elsewhere, well enough written to mislead ignorant people.

One cannot help noticing the force of political sentiment among the average writers on economics. To connect the Russian *ancien régime* with economic decay, and the communist *régime* with economic revival, or vice versa, seems to become more and more a rule of political decency, strong enough to obliterate what one has been used to consider as facts.

A. MEYENDORFF.

Carlyle and Mill. By EMERY NEFF. Columbia University Press.
\$2.25.

There is a Greek simplicity about Victorian problems which we, as a Roman bureaucracy, must envy: Carlyle seeing in Peel the hero that democracy would follow; Mill seeing in Hare's scheme of proportional representation a mechanism that would secure the co-operation of the power of numbers and the thought of the few. "If Carlyle's firm grasp of actuality could have allied itself with Mill's vision of potentiality, if Mill's liberating ideas could have been clothed in the glamour and vitality of Carlyle's art . . . England might have answered many of the questions which divide her to-day." Their difference was a problem of temperament. Had it been solved, Mr. Kipling and Mr. Wells would be the twin Platons of a modern Republic. Mr. Neff's account of this failure to co-operate is in the form of a series of summaries—of the condition of England in 1840, of Bentham's philosophy, of Mill's autobiography, of Carlyle's *Sartor Resartus*—linked by amusing and sometimes penetrating comment. But it is so well done that not only will it send the reader to the originals, but it will also serve him as a stimulating introduction to nineteenth century political thought and history. That is, we are made to realise that the problem of the nineteenth century was a problem of thought and not merely, as certain labour mythologies would suggest, a problem of property. It is a platonic dialogue on the problem of government before the biological complications that followed Darwin and the economic complications that followed the opening of the tropics.

K. B. S.

The Hampshire Gate. By H. G. DENT, B.A. Ernest Benn Ltd.
179 pp. 8s. 6d. net.

This is a study of one of the three natural entries into south-

eastern England from what Sir Halford Mackinder has aptly named "the Narrow Seas." Spithead and the Solent converge on Southampton Water from the head of which the once navigable waterways of the Test and Itchen lead up into the Hampshire Downs which separate the Hampshire Basin from the basin of the Lower Thames. The author deals only with the Itchen valley, however, as being the more important and providing a highway to London. Accordingly, the first part of the book is devoted to a description of the Itchen and its tributaries, which would have been of much greater interest had it been accompanied by a geological map and some account of the important effects on movement and settlement of the various geological surface conditions. Then comes "The Historical Geography of the Itchen Basin" (there is very little geography in it) and an account of the economic development of the area, followed by a series of disconnected chapters on Southampton, Roads and Communications, Place Names, Population of Parishes and Imports and Exports of Southampton.

The interest of the subject our author has chosen and the toil and care that he has evidently put into the collecting of his material make one wish that he had devoted another six months' toil to the fashioning of the book. Mr. Dent has probably been hampered by the set form of the book—the water-tight compartments of his chapters—which have led to a certain disjointedness and to a good deal of repetition. One seeks in vain for a central idea, a real theme, in the book. Now and then one feels that the idea is there if only the writer had had the skill, or had taken the trouble, to bring it out.

In spite of faults of structure and style, *The Hampshire Gate* contains many interesting passages and much valuable information. The maps are few but clear, and the illustrations are interesting.

H. O.

School Notes

THE total number of regular students enrolled for the session 1923-4 was 818, and the number of occasionals 1,827, making the total of all students 2,645.

EXAMINATION SUCCESSES

The degree of D.Lit. has been conferred on Cecil Delisle Burns, and the degree of Ph.D. (Economics) on Eric Lyde Hargreaves, Margaret Richards and Dorothy Swaine Thomas. Sixty-nine students of the School were successful in passing Final Degree Examinations of the University at the end of last session in the Faculties of Economics (including Commerce) and Laws. The following candidates at the Final B.Sc. (Econ.) Examination obtained First Class Honours :

Teresa Joseph (Sociology).
Hubert Perrett (Accounting).
David W. Roberts (Modern Economic History).
Cecil L. Saunders (Geography).

SCHOLARSHIPS, STUDENTSHIPS AND PRIZES

Sir Ernest Cassel Travelling Scholarships have been awarded to the following Commerce students of the School :

S. C. Harris.
N. Skene Smith.
H. G. Thomas.
W. J. Wisdom.

The following awards have been made by the University :

Gerstenberg Scholarship awarded on the results of the University Scholarships Examination to Jane Tabrisky.

A Loch Exhibition awarded to Mabel Geldard Brown.

The Metcalfe Scholarship for Women awarded to Jocelyn Sophia Hyslop.

The Metcalfe Studentship for Women awarded to Evelyn Lawrence.

The Gladstone Memorial Prize, awarded annually on the results of the Intermediate B.Sc. (Econ.) Examination for internal students, has been won for 1924 by F. A. Thompson.

The School has awarded a Martin White Scholarship in Sociology to Laura Bowen.

The following awards of Scholarships and Bursaries were made by the School on the results of the Examination held by the Inter-collegiate Scholarships Board :

Scholarships of £40 : H. E. Batson, R. W. Keeley, J. D. Mitchell.
Bursaries (entitling holder to remission of tuition fees) : F. A. Adams, H. W. Palmer, A. E. Black.

ARMY CLASS

The " Army Class " has been resumed this session, and thirty senior officers sent by the War Office are taking the course.

STAFF

Mr. R. B. Forrester has been granted leave of absence for one year to act as Chief Investigator to the Ministry of Agriculture, in connection with an economic inquiry into the methods of marketing agricultural produce.

Dr. Morris Ginsberg, M.A., D.Lit., has been appointed Reader in Sociology in the University of London.

Mr. F. R. M. de Paula, O.B.E., F.C.A., has been appointed Reader in Accounting and Business Organisation in the University of London.

Mr. Hughes Parry, B.A., LL.B., has been appointed Lecturer in Law.

Dr. Eileen E. Power, M.A., D.Lit., has been appointed Reader in Mediæval Economic History in the University of London.

The title of " Reader in Public Administration in the University of London " has been conferred on Mr. H. B. Lees Smith.

Mr. J. Drummond Smith has resigned his Lectureship in Commerce.

Books Received

- D. W. CRADICK: *The Outline of British Trade*. London: George G. Harrap and Co. Ltd.
J. H. HART: *Social Life and Institutions*. G. G. Harrap and Co.
HELMER KEY: *European Bankruptcy and Emigration*. London: Methuen and Co. Ltd.
GUSTAV LE BON: *The World Unbalanced*. T. Fisher Unwin.
INTERNATIONAL CONFERENCE ON EMIGRATION AND IMMIGRATION.
Rome, 1924: *Resolutions adopted by the Conference*.

Periodicals Received

- Bolletino della Emigrazione*.
Citta di Milano.
Giornale degli Economisti.
Indian Journal of Economics.
La Riforma Sociale.
Labour Gazette. Bombay.
Metron.
Political Science Quarterly.
Sociological Review.
Studi Senesi.
Zeitschrift für Volkswirtschaft und Socialpolitik.
The Bulletin of the British Library of Political Science, August, 1924.



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